

ESTIMATES COMMITTEE

1961-62

HUNDRED AND SIXTY-SEVENTH REPORT

(SECOND LOK SABHA)

MINISTRY OF COMMERCE & INDUSTRY

**KHADI VILLAGE INDUSTRIES COMMISSION,
BOMBAY**



LOK SABHA SECRETARIAT
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CONTENTS

	PAGES
Composition of the Committee	(iii)
Introduction	(v)
I. INTRODUCTORY	1
II. FUNCTIONS:	
A. Intensive Area Scheme	2
B. Gram Ekai Programme	3
• C. Rural Development	5
III. DISBURSEMENTS :	
A. Utilisation of Funds	10
B. Rush of Disbursements during the last quarter	12
C. Expenditure in various States	13
D. Direct Assistance to Institutions.	14
E. Loans outstanding	15
IV. PATTERN OF ASSISTANCE:	
A. Grant for Non-recurring expenditure	18
B. Assistance to Co-operatives	18
C. Assistance to Trainees	19
D. Financial Assistance to Bhandars	19
E. Financial Assistance to Individuals	22
F. Review of the pattern of assistance	23
G. Grant of Loans	23
H. Advance of Rebate	24
V. KHADI :	
A. Evaluation Committee	25
B. Targets and Achievement	25
C. Ambar Charkha	26
D. Accumulation of Khadi	27
E. Expenditure	28
F. Production Centres	28
G. Khadi activities in different States	29
H. Marketing	31
I. Survey	32
J. Reservation for Khadi	32
K. Use of Power	33
L. Rebates and subsidies	33
VI. VILLAGE INDUSTRIES :	
A. Evaluation Committee	35
B. Survey	36
C. Disbursements	36
D. Production	37
E. Organisation for Village Industries	38

	PAGES
F. Village Oil Industry	38
G. Gur and Khandsari Industry	39
H. Hand pounding of Paddy	40
I. Non-edible Oils and Soap Industry	40
J. Third Plan	41
VII. ORGANISATION :	
A. Composition of the Commission	43
B. Composition of the Board	44
C. Member Secretary	45
D. Staff	47
E. Zonal Offices	48
F. State Boards	50
G. Location of Offices	50
H. Information Bureau at Delhi	51
I. Other suggestions	51
VIII. MISCELLANEOUS :	
A. Training	53
B. Co-operation	54
C. Employment	55
D. Annual Reports of the Commission	57
E. Statistics	58
APPENDICES :	
I. Prescribed limits for Financial Assistance to individual authority or body in connection with the schemes of Village Industries.	60
II. Terms and conditions governing the grant of loans by the Khadi & Village Industries Commission.	63
III. Composition of the Khadi & Village Industries Board	65
IV. Powers and duties delegated to the Member-Secretary of the Khadi Commission.	66
V. Details of training institutions managed by the Commission	68
VI. Statement showing the employment provided as a result of the activities of the Board/Khadi Commission during the period of the 2nd Plan	69
VII. Statement showing the average per capita income of workers engaged in Khadi & Village industries	70
VIII. Statement showing the summary of conclusions/recommendations of the Estimates Committee contained in the Report.	72
IX. Analysis of recommendations contained in the Report.	89

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(1961-62)

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Shri M. C. Chawla—*Under Secretary.*

INTRODUCTION

I, the Chairman, Estimates Committee having been authorised by the Committee to submit the Report on their behalf, present this Hundred and Sixty-Seventh Report on the Ministry of Commerce & Industry—Khadi & Village Industries Commission, Bombay.

2. The estimates relating to the Ministry of Commerce & Industry—Khadi & Village Industries Commission—were examined in detail by the Sub-Committee of the Estimates Committee on Public Undertakings which took the evidence of the representatives of the Khadi & Village Industries Commission from the 13th to the 15th December, 1961 and of the representatives of the Ministry of Commerce & Industry on the 18th and 19th December, 1961. The Report was adopted by the Sub-Committee on the 15th March, 1962 and finally approved by the whole Committee on the 17th March, 1962.

3. A statement showing an analysis of the recommendations contained in this Report is also appended (Appendix IX).

4. The Committee wish to express their thanks to the officers of the Ministry of Commerce & Industry and the Khadi & Village Industries Commission for placing before them the material and information that they wanted in connection with the examination of the estimates. They wish to thank Acharya J. B. Kripalani, M.P., for making valuable suggestions. They also wish to thank Dr. Gyan Chand and Shri A. C. Guha, M.P. for giving evidence before the Sub-Committee and making valuable suggestions.

NEW DELHI;
March 26, 1962.
Chaitra 5, 1884 (Saka).

H. C. DASAPPA,
Chairman,
Estimates Committee.

INTRODUCTORY

The Khadi & Village Industries Commission was set up on 1st April, 1957 under the Khadi and Village Industries Commission Act of 1956. The importance of khadi and village industries in the country's rural economy has always been recognised. The Industrial Policy Resolutions of 1948 and 1956 and the successive Five-Year Plans have also laid emphasis on the promotion and development of rural industries, which utilise local raw materials and resources as also provide additional employment to the rural population and opportunities of supplementing their earnings. Importance.

2. Till 1953 all work pertaining to the development of khadi and village industries was carried out mainly by voluntary organisations like the All-India Spinners' Association. In its First Five-Year Plan, the Planning Commission recommended that there was "need for an organisation which will give close attention to the problems of village industries and help to create favourable conditions for action by State Governments, constructive organisations and village co-operatives". The Government of India accepted this recommendation and in January 1953 set up a 15-Member All India Khadi & Village Industries Board. The functions of this Board were "to prepare and organise programmes for the production and development of khadi and village industries including training of personnel, manufacture and supply of equipment, supply of raw materials, marketing and research and study of the economic problems of different village industries". Setting up of the Board.

3. This Board, which was advisory and had limited financial and other powers, found itself handicapped by the procedural requirements of the Governmental machinery. This led to delays in the sanctioning of funds and their utilisation. On representations made by the Board in this regard, the Government of India decided in 1956 to set up the Statutory Commission mentioned above and vested it with powers, executive as well as administrative, for the proper development of khadi and village industries. Setting up of the Commission.

II FUNCTIONS

Statutory Functions.

4. The functions of the Commission as laid down in the Khadi & Village Industries Commission Act, 1956 are generally to plan, organise and implement programmes for the development of Khadi & Village Industries. In particular it is charged with the following functions:—

- (a) to plan and organise the training of persons engaged in the production of khadi and village industries;
- (b) to build up a reserve of raw materials and implements and to supply them to persons engaged in the production of khadi or village industries at such economical rates as may be suitable in the opinion of the Commission;
- (c) to provide for the sale and marketing of khadi or of products of village industries or handicrafts;
- (d) to encourage and promote research in the technique of production of khadi or in the development of village industries, or to provide facilities for a study of the problems relating to khadi or village industries;
- (e) to maintain or assist in the maintenance of institutions for the development of khadi or village industries;
- (f) to undertake, assist or encourage the production of khadi or the development of village industries;
- (g) to promote and encourage co-operative efforts among manufacturers of khadi and persons engaged in village industries;
- (h) to ensure the genuineness of, and grant certificates to producers of, or dealers in khadi or the products of any village industry; and
- (i) to carry out any other matter which may be prescribed.

A. Intensive Area Scheme

Objectives.

5. The Committee note that the Commission is at present also engaged in the implementation of an Intensive

Area Scheme which has two principal objectives viz., full employment and self-sufficiency. This scheme was initiated by the erstwhile Khadi Board in 1954 on an experimental basis with a view to organise centres for planning and promoting integrated development of selected rural areas with a population ranging from 20,000 to 30,000. Upto 1960-61 an expenditure of Rs. 214.77 lakhs (Rs. 103.58 lakhs as grant and Rs. 111.19 lakhs as loan) has been incurred on the scheme.

B. Gram Ekai Programme

6. The Committee further note that during the Third Five-Year Plan, the Commission has re-oriented its programme as part of an integrated economic and social development of rural communities planned by the communities themselves. This programme—described as 'Naya Morh'—is "an organic part of the development of agriculture with the main emphasis on maximum utilisation of local resources, both human and material". The areas selected for introducing the development on the basis of 'Naya Morh' would be called 'gram ekais' each covering a population of about 5,000 in one village or a group of villages. The Third Plan envisages the organisation of 3,000 gram ekais at an estimated expenditure of Rs. 104 crores*. Of these, 600 gram ekais are proposed to be organised during 1961-62. The whole work of the Commission during the period of the Third Plan would be:—

- (1) to continue the activities and development schemes already started by the former Board and subsequently continued by the Commission; and
- (2) to reorientate the work of existing schemes and plan all future development work according to the integrated development programme.

7. The Committee observe that both the Intensive Area and the Gram Ekai schemes aim at organising the economic, social and cultural life of the population through a many-sided programme. These activities consist of improvement of agriculture, animal husbandry, housing, health and sanitation, cultural activities, etc. *The Committee do not consider that these activities fall within the province of the Commission.*

8. In answer to a question whether these activities were covered by the functions of the Commission, as laid down in the Act,** the Chairman of the Commission stated in

*At the time of factual verification, the Ministry stated that the figure of Rs. 104 crores represented the expenditure as worked out by the Commission on the development of Khadi and Village Industries during the Third Five-Year Plan and not the expenditure on the organisation of 3,000 Gram Ekais. Against the figure of Rs. 104 crores proposed by the Commission, a provision of Rs. 89 crores only has been provided in the Third Plan for the development of khadi and village industries.

**cf. para 4.

Integrated
Rural De-
velopment.

Activities
included in
Intensive
Area Scheme
and Gram
Ekai Pro-
gramme.

Views of
the Law
Ministry.

evidence that neither the Ministry of Commerce and Industry nor the Audit had taken any exception to the work being undertaken by the Commission. The Secretary of the Ministry of Commerce and Industry stated that although these functions were not positively prescribed in the Act, they were not *ultra vires* of it. Any amendment of the Act in this respect was likely to impinge on the activities of the Ministry of Community Development and hence it was not easy to codify the amendment. *At the instance of the Committee, the Ministry of Commerce and Industry referred the matter to the Ministry of Law for their legal opinion, which is reproduced below:—*

“It has been stated in the note of reference that this Intensive Area Scheme was taken up during 1954-55 by the former All India Village Industries Board. This is not relevant in view of the fact that the Khadi and Village Industries Commission is now a statutory body, constituted under the Khadi and Village Industries Commission Act of 1956, and it has to act strictly within the limits of its functions as defined in that Act. The Act is, as its Preamble shows, intended to provide for the establishment of a Commission for the development of khadi and village industries and for matters connected therewith. The village industries are those included in the Schedule to the Act. Section 15 of the Act which defines the functions of the Commission lays stress only upon the production and development of khadi and village industries, as therein defined. Section 19 empowers the Commission to incur expenditure on purposes authorised by the Act, and no others. On the other hand, the economic and social programme of the Commission during the Third Plan envisages schemes of integrated rural development which will include schemes pertaining to agriculture, animal husbandry, health, education and other social and cultural activities besides those for khadi and village industries. It is not at all clear, how these various activities will have any relation to the development of khadi and village industries. If the activities of the Commission in relation to the Intensive Area Scheme are not strictly related to the development of khadi and village industries, they will be outside the scope of the Commission's functions under Section 15 and any expenditure which the Commission might incur in relation to such activities will

also be unauthorised under Section 19. The Commission is now a statutory body; its active participation must be restricted only to schemes of khadi and village industries as envisaged in the Act".

9. *The opinion expressed by the Ministry of Law confirms the view of the Committee that the Commission should not have engaged itself in activities which do not precisely fall within the scope of its functions as laid down in the Act.* View of the Committee confirmed.

10. The Commission has now informed the Committee that the matter was subsequently considered and it felt that the Khadi and Village Industries Commission Act should be amended so as to enable the Commission to continue its Intensive Area Scheme and the Gram Ekai Programme.

11. *While the Committee appreciate the Commission's anxiety to carry on with these activities, they feel that specific and prior approval of Parliament by way of amendment of the Act should have been taken before embarking upon activities not specifically covered by the Act and more so when they involve financial commitments. The Ministry would have done well to be more vigilant in the matter and directed the Commission well in time against undertaking activities not legitimately covered by the Act.* Observations of the Committee.

C. Rural Development

12. It is understood that, at the Sarvodya Conference held at Chebrolu in April 1961, a proposal was put forward for the creation of a single Rural Industrialisation Commission to co-ordinate the activities of the various all-India Boards* in respect of industries in rural areas. The Khadi Board considered this suggestion and appointed a Committee to go into this question. That Committee has suggested the setting up of a single authority to be called the Rural Industrialisation Commission with the object of diversifying the village economy through full development of rural industries. It observed as follows:—

"Gaining sufficient experience in local planning it (the Khadi Commission) has launched a sizeable programme of such planning through Gram Ekais. Reinforced with a new thinking and a new emerging force it finds that it can make a concerted drive to achieve the decentralised

*The field of village and small scale industries is at present covered by five All-India Boards, viz. Coir, Small Scale Industries, Handloom, Silk and Handicrafts and the Khadi & Village Industries Commission.

co-operative social order in the country. Obviously it can discharge this new task if Government gives its full support and authority. It should be placed in charge of a full-fledged rural industrialisation programme in place of the present restricted one."

It further observed that the proposed Commission was likely to touch upon programmes of other all-India Boards. As such some adjustments would have to be brought about in their functions.

Position of
Khadi
Commission
vis-a-vis
proposed
Commission.

13. The Committee were informed that the Commission had conveyed its general acceptance to the concept of integrated rural development. The Chairman of the Commission stated during evidence that if the Rural Industrialisation Commission came into existence the Khadi Commission could not have a separate identity and would have to be merged in it.

Multiplicity
of Organisa-
tions.

14. *At present there are several Government agencies as well as a few other voluntary organisations engaged in the development of the rural communities and industries. For instance, the Community Development Administration, the Handloom Board, the Handicrafts Board, the Small Scale Industries Board, the Social Welfare Board, the Bharat Sevak Samaj, the Gandhi Smarak Nidhi, the Kasturba Gandhi National Memorial Trust, the All India Harijan Sevak Sangh and the All India Adimjati Sevak Sangh have all been engaged in this task for the past few years. It has been stated by the Committee appointed by the Commission that if the proposed Rural Industrialisation Commission was set up it would have the effect of restricting the activities of the various all-India Boards to urban areas only.*

Position in
other coun-
tries.

15. The Committee understand that in most of the industrialised countries of the world there is one central agency entrusted with the task of promoting the development of various small industries. A few instances are given below:—

U.S.A.:	Small Business Administration set up under Small Business Act, 1953.
Japan :	Smaller Enterprises Agency.
Sweden :	The Swedish Government Institute for Handicrafts.
Poland :	The Small Industry & Handicrafts Institute, Warsaw.
Italy :	National Handicrafts & Small Industries Bureau.

Overlapping
of functions.

16. The existence of overlapping functions among the various agencies and the need for providing an integrated

service to various cottage, village and small industries have been discussed by various Committees as shown below:—

(i) In 1956, the Village & Small Industries (Second Five Year Plan) Committee (Karve Committee) in regard to the All-India Boards working in the field of village & small scale industries observed:

“It is true that some clear cases of overlapping emerge among almost all of them, leading occasionally to some aspect being neglected by all, but more often to one and the same item being attempted by more than one Board.
 • Steps should be taken to avoid such overlapping and lacunae”.

(ii) In 1957, the Team on Community Projects and NES (Committee on Plan Projects) remarked:

“Cottage, village and small scale industries need a very considerable co-ordination in their working. They have their appropriate place in the rural economy but sometimes are apt to cut into one another. At the All-India level a number of such individual industries are promoted by all-India Boards which sometimes are inclined to work in separate compartments. It would not be difficult to make some effort to pool funds, personnel, agencies of supervision and inspection and marketing arrangements so that inefficiency and waste can be eliminated.”

(iii) In 1961 the Study Group on the Welfare of the Weaker Sections of the Village Community appointed by the Ministry of Community Development and Co-operation observed as under:—

“...At present there happens to be no single authority at any level whose particular responsibility it is to think, study, plan and act on behalf of rural industries. There are no doubt different agencies working in their allocated spheres, but there is no integrated approach to the problem. It must be emphasised, however, that rural industrialisation has to be viewed as a single integrated programme and not be dealt with piecemeal by separate agencies, even though these might ‘co-ordinate’ their activities. We recommend, therefore, the creation (out of the existing bodies, or by establishing a new one) of a single, comprehensive authority, with the necessary powers and resources and charged with the responsibility of rapidly industrialising the rural areas”.

17. The Committee are surprised to see the various changes made or sought to be made in the organisational set up for the development of Khadi and Village Industries. It will be seen that initially a Board was set up in 1953 for the purpose. Within four years the Board was replaced by a statutory Commission in 1957. Hardly another period of 4 years has elapsed before another statutory body in the shape of Rural Industrialisation Commission is being projected. The exact picture of this new proposal has not yet emerged. But the purpose of it seems to be that the multiplicity of organisations working towards the same end, namely the development of village industries, should be avoided and it should be made possible for Gram Ekai programme to be included in its functions. Before even the frame-work of this new proposal has been worked out, further difficulties have been encountered.

18. It is seen that the Khadi and Village Industries Commission launched an Intensive Area Scheme and Gram Ekai programme which include, among others, agriculture, animal husbandry, health and sanitation, social and cultural activities, etc. These activities do not lie within its functions, as set out in the Act. The Ministry of Law has held clearly that they "will be outside the scope of the Commission's functions and any expenditure which the Commission might incur in relation to such activities will also be unauthorised under Section 19".

19. It is difficult to understand how by the mere transformation of the Khadi and Village Industries Commission into Rural Industrialisation Commission, the all comprehensive activities under Gram Ekai programme could be taken up by the Rural Industrialisation Commission. The Committee are of opinion that the constitution of Rural Industrialisation Commission and merging of Khadi Commission in it, is not going to solve the problem. Rather, it may give rise to more problems. In the first place, any Industrialisation Commission cannot take up activities of 'Samagra Seva' character which Gram Ekai purports to do. It can only be by an organisation such as Rural Development Commission, a nomenclature with which the Secretary of the Ministry agreed. Secondly, there are other agencies such as the Community Development Administration, Handloom Board, Handicrafts Board, the Small Scale Industries Board, the Social Welfare Board, the Bharat Sevak Samaj etc. whose activities may necessarily impinge on the activities of the proposed organisation whether it is called the Rural Industrialisation Commission or even the Rural Development Commission. What relationship would subsist between the existing bodies and the proposed Com-

mission and how overlapping of functions between them is sought to be avoided is not clear. While the Committee are of opinion that multiplicity of organisations and overlapping of functions should be avoided, they suggest that before any proposal for the constitution of the Rural Industrialisation Commission is considered, a thorough enquiry must be undertaken by a Committee consisting of the representatives of all the bodies that are going to be affected by the proposal, including the States. There need be no hurry in the matter. What is wanted is a comprehensive examination of all aspects of the question, before a final shape is given to the new organisation.

III

DISBURSEMENTS

Expenditure
in 1st Plan
Period.

Allocation
and dis-
bursements
in the 2nd
Plan .

20. The expenditure on the development of Khadi & Village Industries during the period of the First Five-Year Plan amounted to Rs. 9.91 crores. For the 2nd Plan, the Planning Commission originally allocated only Rs. 55.5 crores, exclusive of Ambar Charkha programme. In 1958, however, on a review of the progress of the Ambar Charkha Programme the allocation was raised to Rs. 83.78* crores (of which Rs. 26.15 crores were for the traditional Khadi, Rs. 41.30 crores for the Ambar Charkha Programme and Rs. 16.33 crores for village industries). Against this provision, the total disbursements amounted to Rs. 82.69 crores. A break-up of the disbursements agency-wise is indicated below:—

(Rs. cro e)

	Khadi	Village Industries	Total	% age to total
State Governments . . .	3.32	2.65	5.97	7.22
Development Commissioners	0.12	1.30	1.42	1.72
State Boards	10.30	10.75	21.05	25.46
Intensive Areas	1.01	0.44	1.45	1.75
Co-op. Societies	1.96	1.07	3.03	3.66
Regd. Institutions	48.00	1.77	49.77	60.19
TOTAL	64.71	17.98	82.69	100.00

A. Utilisation of funds

Disburse-
ments to
State
Boards.

21. The Committee were informed that no certificate of utilisation had as yet been received from the State Boards for the amount of Rs. 18.54 crores disbursed by the Commission. Even in respect of the disbursements amounting to Rs. 3.66 crores (Rs. 1.68 crores for Khadi and Rs. 1.98 crores for Village Industries) made by the erstwhile Khadi Board utilisation certificates had been received for Rs. 1.47 crores only. *It will thus be seen that out of the total disbursements of over Rs. 22 crores made to the State Boards, utilisation certificates had been received for Rs. 1.47 crores only.*

22. Asked about the reasons for continuing the disbursement of further funds to the State Boards in the absence of utilisation certificates for past disbursements, the Chairman of the Commission stated that in the interest of continuance of the programme, funds had to be released to them on the basis of the statements of disbursements only. The utilisation certificates were not insisted upon as there was a time-lag between the disbursement of funds and their utilisation. The representative of the Ministry also stated that the utilisation certificates in respect of State Boards were not forthcoming as the audit by Accountants General was heavily in arrears. In regard to the registered institutions, the utilisation certificates were, however, up-to-date because the Commission organised its own audit and inspection machinery.

Disbursement of funds in the absence of utilisation certificates.

23. *The Committee are not able to appreciate how in the absence of certificates for past disbursements, the Commission could satisfy itself about the proper and purposeful utilisation of the funds. Compliance with the rules, which require that utilisation certificates should be furnished for all grants/loans advanced by Government, should have been insisted upon in these cases and further disbursements discontinued in case of defaulters. A continuous review of the position regarding outstanding utilisation certificates before making further disbursements would have helped in the matter. The Committee hope that all outstanding utilisation certificates would be obtained at a very early date. They also suggest that with a view to acquaint Parliament, which votes funds, the precise position regarding utilisation certificates may in future be stated in the Annual Reports and Accounts of the Commission.*

Committee's observations.

24. The Committee were informed that the Commission was of the view that its responsibility for submission of utilisation certificates to the Government of India in respect of the funds received by it should be deemed to have been fulfilled if the Commission satisfied itself that the funds given to the State Boards were disbursed by them to the institutions for the intended purposes. Further accountability in respect of the actual utilisation of funds should be made the responsibility of the State Board concerned, and the exercise of that responsibility should be scrutinised by the audit authority concerned. It had approached the Government of India for seeking the approval of the Comptroller and Auditor General to change the existing procedure. In the opinion of the Commission, the new procedure should lead to an improvement in the position.

Commission's Proposal.

Views of the
Financial
Adviser.

25. The Financial Adviser of the Ministry, however, informed the Committee during evidence that it was no solution to the problem as utilisation certificates had to be produced by the authority which disbursed the funds. He was, therefore, doubtful whether the Comptroller & Auditor General would accept the suggestion of the Commission. *The Committee are inclined to agree with the views of the Financial Adviser.*

B. Rush of disbursements during the last quarter

26. The Committee find that about 50 per cent of the total disbursements are made by the Commission in the last quarter of a year. Of these, about 50% are made in the month of March. A break-up of the figures of disbursements made during the last 3 years is shown below (the figures in brackets relate to the payments made in the month of March):—

	(Rs. lakhs)					
	1958-59	%age to total	1959-60	%age to total	1960-61	%age to total
1st Quarter	95·39	5·23	200·20	10·55	132·35	6·35
2nd Quarter	362·39	19·86	281·39	14·82	245·38	11·76
3rd Quarter	544·57	29·84	411·85	21·69	664·08	31·83
4th Quarter	822·33 (357)	45·07	1004·97 (500)	52·94	1044·22	50·06
	1824·68	100·00	1898·41	100·00	2086·03	100·00

Reasons.

27. The Committee were informed that the demands for assistance were heavier in the 2nd half of the financial year than during the first half. Further, the purchase of raw materials could be made only during certain seasons in the year which varied from State to State and disbursements for the purpose had necessarily to coincide with the season in different parts of the country. The Commission was trying to avoid the rush of expenditure and there had been some improvement during the last year.

Even spread
of Disburse-
ments
suggested.

28. *Rush of disbursements in the last quarter, besides imposing a severe strain on the organisation of the Commission, is fraught with the risk of funds being released without proper scrutiny, resulting in irregularities and infructuous and nugatory expenditure. Effective and specific measures should therefore be devised to avoid rush of expenditure and*

to ensure that the disbursements during the year are evenly spread out.

C. Expenditure in various States

29. The table below shows the disbursements made during the period of the 2nd Plan for the development of Khadi and Village Industries, State-wise:—

	(Rs. lakhs)					
	Grants	Loans	Total	% age to total	Rural Population (1951 census)	Population with smaller holdings
Andhra	249·87	382·81	632·68	7·65	1,51,78,949	75,89,474 (Hyderabad)
Assam	30·98	50·85	81·83	0·99	86,29,289	43,14,644
Bihar	366·37	923·53	1,289·90	15·60	3,75,29,957	3,00,23,960
Bombay	638·59	563·29	1,201·88	14·54	2,47,85,810	1,23,92,905
Delhi	56·24	27·05	83·29	1·01		
J. & K.	9·45	6·99	16·44	0·20		
Kerala	83·80	116·12	199·92	2·42	77,92,133	70,12,917 (Travancore-Cochin)
Madhya Pradesh	95·53	153·93	249·46	3·02	1,83,70,194	73,48,076
Madras	284·96	440·39	725·35	8·77	4,58,32,268	3,20,82,582
Mysore	171·83	243·63	415·46	5·03	68,96,245	34,48,122
Orissa	76·72	122·88	199·60	2·41	1,40,51,876	98,36,309
Punjab	292·81	465·21	758·02	9·17	1,00,35,027	25,08,756
Rajasthan	190·41	487·10	677·51	8·20	1,26,41,430	31,60,357
Uttar Pradesh	604·45	786·39	1,390·84	16·82	5,45,90,043	3,82,13,028
West Bengal	131·84	203·86	335·70	4·06	1,86,57,045	1,30,59,928
Himachal Pradesh	1·09	0·03	1·12	0·01		
Manipur	0·50	3·98	4·48	0·05	5,77,635	5,19,057
Tripura	1·37	2·94	4·31	0·05	5,96,434	5,36,78
3,287·59 4,981·52† 8,269·11†						

30. It would be seen that the activities of the Commission are mainly concentrated in the States of Bihar, Bombay and Uttar Pradesh which among themselves account for 47 per cent of the total disbursements during the Second Plan. The efforts of the Commission to develop Khadi & Village Industries in the various States particularly the States of Assam, Orissa and West Bengal do not appear to

Activities in States not related to rural population of incidences of unemployment.

*Includes Rs. 0·43 lakhs disbursed in Pondicherry and Rs. 0·35 lakhs utilised as M.O. Commission for which State-wise break-up is not available.

†Includes Rs. 0·54 lakhs disbursed in Pondicherry.

bear any relation either to the rural population in these States or to the incidence of unemployment therein. It was indicated that the Khadi programme of the Commission was not undertaken solely on the basis of the incidence of unemployment and under-employment in an area. There were many other considerations viz. the availability of raw materials, facilities for weaving, willingness of artisans to work on the charkhas etc. which had to be taken into account at the time of sanctioning funds. In the Third Plan, however, the Commission proposed to relate its programme, as far as possible, to the incidence of unemployment and/or under-employment in a State.

Special efforts in underdeveloped areas suggested.

31. *The Committee feel that a central developmental organisation like the Khadi & Village Industries* Commission should devote special efforts to encourage and assist under-developed areas having a large rural under-employed and unemployed population. They hope that the Commission would bear the above considerations in view while allocating funds to the different States in future.*

Proportion between grants and loans disbursed in various States.

32. *It would also be seen from the above table that the proportion between grants and loans disbursed to the various States during the Second Plan differs widely from State to State. Thus, for instance in Bihar the loans are 2½ times the amount of grants, while in Bombay loans are little less than the amount of grants. In Delhi, the grants are twice the amount of loans and in Jammu & Kashmir they are one and a half times thereof. It was explained that the proportion between grants and loans depended on the types of schemes implemented in a State. The extent of loans advanced to a State depended on the stock of raw materials required there. As regards Bombay it was stated that the grants included the rebate on Khadi sales. The Committee consider it desirable that the proportion between grants and loans to the various States should be broadly laid down. In case there are special considerations necessitating larger grants to a particular State, the reasons therefor should be indicated in the annual reports of the Commission.*

D. Direct Assistance to Institutions

33. *The Commission grants financial assistance directly to some institutions while it deals with others through the State Boards. Out of Rs. 82.69 crores disbursed during the period of the 2nd Plan, Rs. 42.43 crores (i.e. over 50 per cent) were disbursed by the Commission directly**

*It would appear that out of Rs. 42.43 crores, the various institutions, with which the Members of the Commission and the Board are connected, have received Rs. 28.30 crores.

34. The Committee were informed that the Commission dealt with these institutions directly because of old contacts. These institutions had evolved a good accounting and audit procedure and it was possible to get utilisation certificates from them easily. Further, the State Boards had not been organised in all the States until recently. The Committee, however, note from the Khadi Evaluation Committee Report that "the Khadi institutions want to deal directly with the Commission and are very reluctant to let the States Boards replace the latter."

35. *Whatever might have been the justification for the Commission to deal with certain institutions directly in the initial stages, this position cannot obviously be continued for long, because the programme of the Commission has to be progressively implemented through the State Boards. The emphasis should, therefore, be to create conditions in which mutual trust between the Institutions and the State Boards could be established and the State Boards could take the place of the Commission in their respective areas. The Committee recommend that the Commission should route all its financial assistance through the State Boards, which, no doubt, are in a better position to judge the suitability of an institution for assistance.*

E. Loans Outstanding

36. Out of the loans advanced by the Commission and which are due for recovery, Rs. 3.33 crores were outstanding on 1st April 1961, as follows:—

	Khadi	Village Industries	Total
	Rs.	Rs.	Rs.
Upto 1956-57	15,249		
1957-58	66,387		
1958-59	5,84,371		
1959-60	49,39,399	..	
1960-61	136,76,806	140,67,038	
	192,82,212	140,67,038	335,49,250

Of these, Rs. 1.71 lakhs of Khadi loans and Rs. 4.93 lakhs of loans for different village industries were considered to be bad or doubtful.

Steps taken
to watch
repayments.

37. The Committee were informed that the Chief Accounts Officer of the Commission watched the position regarding payment of loans due from the various institutions and recoveries of unutilised funds. He also maintained lists of defaulters. A statement of outstanding loans was also placed before the Commission periodically and discussed at its meetings. The Chairman of the Commission stated that the bulk of the money for village industries had gone to a number of new institutions which would take some time to go into production and repay the instalments. As such, a system of long-term loans and starting recovery only when the institutions could repay out of their profits was being devised. In this connection, it was admitted that adjustment of payments due had sometimes been made from fresh loans sanctioned to an institution.

Effective
measures to
recover out-
standing
loans
suggested.

38. *The Committee recommend that effective measures should be taken to recover the outstanding loans as also to ensure timely recovery of the loans falling due in future. One way of doing so would be to allow some margin of profit to the Institutions/Co-operatives engaged in Khadi and Village Industries instead of expecting them to run on 'no-profit no-loss' basis as at present. The Committee hope that this matter would receive due attention.*

IV

PATTERN OF ASSISTANCE

39. Out of Rs. 82.69 crores disbursed for Khadi and Village Industries during the period of the Second Plan, a sum of Rs. 32.88 crores (*i.e.* about 40 per cent) was in the form of grants and Rs. 49.81 crores (about 60 per cent) in the form of loans. Financial assistance is given in accordance with a pattern approved by the Government from time to time. The Commission has powers to vary that pattern in consultation with the Financial Adviser though in the case of payment of rebates, subsidies, concessions, etc. prior approval of Government is necessary.

40. The broad pattern of assistance is as follows:—

Broad
Pattern.

- (i) Non-recurring expenditure towards purchase of land, construction of shed, buildings, purchase of machinery, implements and equipments etc. on the basis of 50 per cent grants and 50 per cent loans;
- (ii) Working capital is provided on the basis of 100 per cent loan;
- (iii) Assistance towards share capital of co-operative societies or for capital formation to registered institutions is provided in the form of loan;
- (iv) Grant towards establishment charges such as salary, allowance, T. A. and contingencies is paid in the initial stage of the working of the unit. This assistance is given as 100 per cent grant;
- (v) Training of artisans is a major item to be undertaken by the Commission. All expenditure connected with training *i.e.* grant towards a portion of establishment charges, or in lieu tuition fees, stipends, T. A. to trainees, cost of equipment and material required in training etc. has to be provided as grant; and
- (vi) Rebate on retail sale of khadi at 19 per cent in a rupee worth of sales; and production and sales subsidy at 6 per cent.

A. Grant for Non-recurring Expenditure

41. It will be seen that non-recurring expenditure of institutions is met by 50 per cent grant and 50 per cent loans. The Committee were informed that it was not considered possible to advance only loans to cover the entire non-recurring expenditure unless they were spread out over a long period of years because the institutions had no funds of their own to fall back upon.

Long-term
loans
suggested.

42. *The Committee feel that the financial assistance for non-recurring expenditure should consist mainly of long-term loans and the grant portion may be reduced to 25 per cent. The institutions should also be required to invest a portion of the funds since they cannot normally be expected to take a keen interest in the success of a venture unless they have a direct stake in it in the form of their own capital. This is evident by the fact that a majority of the institutions, as pointed out in para 108 had not started operations and the amount advanced to them had to be recovered from them. The Committee suggest that the matter may be reviewed.*

B. Assistance to Co-operatives

Scale.

43. Loans to the extent of 87.5 per cent of the share value are granted to individual artisans to enable them to purchase shares of cooperative societies. Besides, grants towards management are extended to Ambar Khadi Co-operatives for four years on the following scale:—

1st year: 100 per cent of the salary of the manager for 12 months subject to a maximum of Rs. 1,200 p.a.

2nd year: 75 per cent of the salary of one manager for 12 months subject to a maximum of Rs. 900 p.a.

3rd year: 50 per cent of the salary of one manager for 12 months subject to a maximum of Rs. 600 p.a.

4th year: 25 per cent of the salary of one manager for 12 months subject to a maximum of Rs. 300 p.a.

Uniformity
of assistance
offered by
similar
institutions
suggested.

44. It was stated that as the cooperatives had little or no resources, they had to be given grants towards establishment charges in the initial stages in addition to 100 per cent loan for working capital. The Chairman of the Commission informed the Committee that these institutions would not

in the foreseeable future be able to function without grants though it might be possible to reduce management grant and subsidy. The Committee find that Handicraft Cooperatives are given 75 per cent of their share capital as a two-year loan, 75 per cent of working capital as a two-year loan and 50 per cent of recurring expenditure on special supervisory co-operative staff as grant for 3 years whereas Khadi and Village Industries Cooperatives are given loans to the extent of 87.5 per cent of the share value besides management grant for 4 years on the scale shown above. *It would be desirable to have uniformity in the pattern of assistance offered by Government to similar institutions. Further, the management grant should be gradually reduced. The Chairman of the Commission considered that this was possible.*

C. Assistance to Trainees

45. As stated in para 40, all expenditure connected with training is provided as grant by the Commission. The total expenditure on training amounted to Rs. 6.96 crores during the period of the Second Plan (upto 31-12-1960). The rate of stipend paid to the trainees varies from industry to industry, depending upon the nature of training, the trainee himself and his educational standard. *The Committee feel that the feasibility of the institutions, which depute the trainees, bearing a portion of the training expenditure may be examined. This would not only ensure the absorption of trainees by those institutions but also act as a check against trained persons remaining idle after completion of their training.*

Feasibility of Institutions bearing a portion of training expenditure to be examined.

D. Financial Assistance to Bhandars

46. The pattern of financial assistance given by the Commission for opening new Bhandars/Gramodyog Bhavans etc. is reproduced in the footnote.

Pattern.

I. AID FOR OPENING NEW BHANDARS

A. Grant towards non-recurring expenditure on Furniture, fixtures etc.

Category	Actual retail sales of Khadi per year	Grant to be paid
I	Rs. 3,00,000 and above . . .	75% of the cost but not exceeding Rs. 20,000.
II	Rs. 1,50,000 to Rs. 3,00,000/- . . .	75% of the cost but not exceeding Rs. 12,500.
III	Rs. 75,000 to Rs. 1,50,000 . . .	75% of the cost but not exceeding Rs. 7,500.
IV	Rs. 35,000 to Rs. 75,000 . . .	75% of the cost but not exceeding Rs. 5,000.
V	Rs. 5,000 to Rs. 35,000 . . .	75% of the cost but not exceeding Rs. 2,000.

(Contd. on Pages 20-21).

47. It would be seen that besides meeting 75 per cent of the non-recurring expenditure on furniture, fixtures, etc. as grant, subject to fixed ceilings, recurring expenditure of Bhavans/Gramodyog Bhavans, is also subsidised by the Commission through grants, though on a progressively declining scale.

Assistance
to Bhandars
and Sale
Depots.

48. The Commission provided assistance to 1811 Bhandars and 721 Gramodyog Sale Depots upto 31.3.1961. While the amount of financial assistance given to the Sale Depots was not indicated to the Committee, the year-wise disbursements to the Bhandars are shown below:—

	(Rs. lakhs)
1956-57	5.96
1957-58	1.62
1958-59	10.96
1959-60	19.98
1960-61	27.46
TOTAL	75.98

49. Of the 1811 Bhandars and 721 Sale Depots to which grants have been given by the Commission, 1007 Bhandars and 543 Sale Depots have actually been opened.

(Contd. from previous page)

B. Grant per Bhandar for recurring expenditure

Retail sales of Khadi	1st year	2nd year	3rd year
On the first slab of Rs. 25,000	7%	6%	5%
On the second slab of Rs. 50,000	5%	4%	3%
On the third slab of Rs. 75,000	4%	3%	2%
On the fourth slab of the balance of total sales subject to maximum of Rs. 20,000 per annum	3%	2%	1%

II. AID FOR OPENING NEW EMPORIA

Year	Rate of assistance	Maximum assistance per emporium
1st year	75% of the total salary of 20 persons, each employee getting Rs. 150/- per month on an average	Rs. 27,000
2nd year	50% of the total salary of 20 persons, each employee getting Rs. 150/- per month on an average	18,000
3rd year	25% of the total salary of 20 persons, each employee getting Rs. 150/- per month on an average	9,000

(contd. on page 21)

50. In justification of the grant of assistance to the Sale Bhandars on the existing scale, it was stated that the khadi institutions organised production and sales on a 'no-profit no-loss' basis. Many of them did not have adequate financial resources. A margin of 9 per cent was available to the Sale Bhandars but this was just sufficient to meet the establishment charges and transport, rent and sundry expenses. If the sales went up, it was possible to make both ends meet. Besides, sales of khadi did not keep pace with the production. Larger efforts had, therefore, to be made year after year to organise more and more sales centres.

Justifications.

51. In justification for granting financial assistance to bhandars for non-recurring expenditure (e.g. furniture and fixtures) on the basis of anticipated sales, the Chairman of the Commission stated during evidence that ordinarily the "estimates of population and estimates of sales" were obtained by them before sanctioning a non-recurring grant. Further the furniture, decoration etc. had to be in keeping with the requirement of a unit to attract customers. If, however, the actual sales were lower than the estimates, the additional amount payable for recurring expenditure was set off against the extra non-recurring grants paid earlier. The staff strength of the Bhandars, for which grant was paid by

Financial Assistance for non-recurring expenditure and staff

Contd. from previous page.)

Besides this assistance, the Commission grants financial assistance for setting Gramodyog sales depots also on the following scale :

I. FURNITURE, FIXTURE AND EQUIPMENT ETC.

Type	Annual sales (expected or actual)	Furniture, fixture and equipment etc. grant
	Rs.	
A	1,00,000 and above	50% of the cost but not exceeding Rs. 5,000.
B	50,000 to 1,00,000	50% of the cost but not exceeding Rs. 3,000.
C	25,000 to 50,000	75% of the cost but not exceeding Rs. 2,000.
D	10,000 to 25,000	75% of the cost but not exceeding Rs. 1,000.
E	3,000 to 10,000	75% of the cost but not exceeding Rs. 500.

II. RECURRING EXPENDITURE GRANT

Annual sales upto Rs.	I Year	II Year	III Year	IV Year	V Year
On the first slab of 10,000	1,200	1,000	750	500	250
On the next slab of 10,000 to 30,000	5%	4%	3%	2%	1%
On the next slab of 30,000 to 1,00,000	4%	3%	2%		
On the next slab of 1,00,000 or above	3%	2%	1%		

the Commission, had been determined on the basis of experience. Before agreeing to a proposal for opening of a new Bhandar, the Commission, however, examined its budget and other matters in detail.

Review
suggested.

52. *The Committee agree that marketing is one of the main problems of khadi and with the increased production contemplated in the Third Five Year Plan, marketing arrangements will have to be augmented considerably. They, however, feel that the assistance offered to Sale Bhandars is on a fairly liberal scale. This was admitted by the Chairman of the Commission during evidence. The Committee, therefore, suggest that a review of the present scale of assistance (both recurring and non-recurring) should be carried out. It should be ensured that while the assistance is related to the actual turnover of the Bhandars it provides sufficient incentive to increase the sales. It might also be examined whether the initial non-recurring expenditure could be met by granting long-term loans.*

E. Financial Assistance to Individuals

Ceiling fixed
for each
Industry.

53. The financial assistance offered by the Commission for the development of Khadi and Village Industries is also available to individuals engaged in these industries. The ceiling fixed for such assistance, both in respect of grants and loans, is given below:

	Grant	Loan	Working Capital	Total
Rupees				
I. Village Industries:				
Bee keeping . . .	500	250	500	1,250
Handpounding of paddy . . .	500	500	1,000	2,000
Village Oil . . .	1,100	1,100	1,000	3,200
Gur & Khandsari . . .	1,500	1,500	1,000	4,000
Handmade Paper . . .	4,000	4,000	5,000	13,000
Village Pottery . . .	650	650	1,000	2,300
Soap . . .	5,250	5,250	5,000	15,500
Leather . . .	1,950	1,850	2,500	6,300
II. Khadi:				
Spinning Units . . .	300	300	300	900
Weaving Units . . .	1,000	1,000	500	2,500
Printing, Washing and Bleaching Units . . .	1,500	1,500	2,000	5,000
Sheds and Others . . .	1,000	1,000	..	2,000

A purpose-wise break-up of the assistance available under each industry is shown in Appendix I.

54. The Committee were informed that the Commission had not given any assistance to individuals directly. There had, on the other hand, been a demand for extending assistance to individuals in certain industries such as tanning and where the Commission was undertaking work directly as in Kakinada, West Bengal etc. Government have since amended the Khadi Commission's Rules to provide for the grant of assistance to individuals subject to above limits in respect of each industry. The Committee, however, feel that since it would be difficult for the Commission to keep a watch over the utilisation of assistance granted to individuals and its recovery would present great difficulties, such assistance, if considered necessary, might be granted by the respective State Boards.

Committee's Views.

F. Review of the Pattern of Assistance

55. *The pattern of assistance offered under the various schemes, though evolved as far back as 1953, has not been subjected to any review regarding its scale, continuance and utilisation. It is hardly necessary to emphasise the need for such a review. The Committee recommend that Government might appoint a Committee to carry out a review of the pattern of assistance, which should also take into account the assistance offered by other agencies for similar developmental activities.*

Appointment of a Committee suggested.

G. Grant of Loans

56. The terms and conditions governing the grant of loans by the Commission are given in Appendix II. It would be seen that while the Commission grants interest-free loans for various purposes, it charges concessional rate of interest on loans for working capital. Government charges normal rate of interest ($4\frac{1}{2}\%$ to $4\frac{3}{4}\%$) for all moneys advanced by it to the Commission as loans. The difference between the interest recovered by the Commission and that due to Government is paid as a direct subsidy. The Commission received from Government a subsidy of Rs. 363·67 lakhs during the period from April 1, 1957 to March 31, 1961 on this account. *The Committee feel that with a view to reflect the actual extent of concessions granted by the Commission to the various parties, it would be desirable if the normal rate of interest on loans are first charged and concessions, if any, are given by way of subsidy which should be shown separately. The Financial Adviser of the Ministry agreed that this could be done. The Committee recommend that necessary action may be taken in this regard.*

Concession by way of interest free Loans etc.

H. *Advance of Rebate*

Examination
of present
procedure
suggested.

57. According to the revised procedure for the payment of claims regarding rebate and subsidy on sale of khadi, enforced from March, 1960, the Commission places an advance equal to one month's average rebate with each certified recognised or registered institution at the beginning of every year (in March). Thereafter claims are paid every month for the months of April to February and the claim for March is adjusted against the above advance. A second advance is again released for the succeeding year. This means that one month's rebate stands advanced to all the institutions all the time. The Chairman of the Commission told the Committee that this concession was necessitated by the fact that the disposal of claims took a considerable time. *The Committee do not consider advance payment of rebate and subsidy as proper—a view with which the Financial Adviser agreed. They suggest that the matter may be examined with a view to stop this practice. At the same time it should be ensured that the procedure for the payment of claims is simplified and the claims are dealt with expeditiously.*

A KHADI

A. Evaluation Committee

58. At the instance of the Planning Commission and the Ministry of Commerce and Industry, the Khadi Commission appointed in January, 1959 a Committee headed by Dr. Gyan Chand "to undertake the assessment, appraisal and evaluation of the progress made in the implementation of its programme regarding development of Khadi (including Ambar Programme) industry so far undertaken by the Commission in the various parts of the country". It submitted the report in February, 1960 which was laid on the Table of the Lok Sabha in August, 1960. In its comprehensive Report that Committee has made various observations regarding the relative inadequacy of the traditional charkha as an instrument of spinning, serious short-comings in the Ambar Programme, non-correlation of work with the incidence of unemployment and under-employment, high cost of khadi etc.

Observation
by the Eva-
luation
Committee

59. The recommendations of the Evaluation Committee are stated to be under the consideration of the Commission/Government. *The Committee hope that a statement showing the action taken on the recommendations of the Evaluation Committee would be placed on the Table of the House early as it is already eighteen months since the report was presented.*

B. Targets and achievement

60. The annual targets and the actual production of khadi during each of the years from 1956-57 to 1960-61 are shown below:—

(In million sq. yds.)

Year	Traditional Khadi		Ambar Khadi	
	Target	Achievement	Target	Achievement
1956-57	40.0	41.72	2.25	1.88
1957-58	40.0	50.05	15.00	11.15
1958-59	67.5	48.26	25.00	24.04
1959-60	65.0	45.95	30.00	25.65
1960-61	60.0	40.60	40.00	23.13

Reasons for
shortfall.

61. The above Table reveals that the achievements in the later years of the Second Five-Year Plan fall far short of the target. This has been attributed to the organisational difficulties and the problem of accumulated stocks of unsold khadi. These have been dealt with below.

C. Ambar Charkha

Original
and Revised
proposals.

62. In its draft proposals for the Second Plan, the erst-while Khadi Board proposed to distribute 25 lakh ambar sets to trained spinners. After a review of the progress of Ambar Programme during the three years period (1956-57 to 1958-59), this figure was revised to 4.8 lakh ambars. The number of ambar charkhas manufactured and distributed during each of the last five years is given below:—

Year	Manufactured	Distributed
1956-57	76,784	45,742
1957-58	1,15,652	98,849
1958-59	74,397	1,00,424
1959-60	61,842	76,597
1960-61	30,097	30,938
(upto 31-12-60)		
	3,58,772	3,52,550

Reasons for
Charkhas
lying idle.

63. The total cost of the Charkhas manufactured amounted to Rs. 4.31 crores at the rate of Rs. 120 per charkha. About 40% of the charkhas distributed upto 31-12-1960 are estimated to be either idle or operated for very limited number of hours. Complete information in respect of idle or partially idle charkhas is not available with the Commission because the charkhas are stated to have been distributed in far flung villages and in individual households. Explaining the reasons for such a large number of the Ambar Charkhas lying wholly or partially idle, the Chairman of the Commission stated that the parts of charkhas originally introduced were defective in precision and the arrangements for repair and servicing were not quite satisfactory. Further, the Instructors did not undergo training for a fairly long period initially, with the result that the trainees were given inadequate training and stopped using the charkhas when they found any difficulty in plying them. Another principal reason for the charkhas lying idle was overstocking of khadi. The need for repair and servicing arrangements was being increasingly recognised and every institution had made these arrangements. Other corrective measures such as provision of adequate follow-up service, and refresher courses to spinners on the ambar charkha had been taken.

64. From the foregoing it would be seen that the Ambar Project had not been properly planned. It appears that in the enthusiasm for pushing forward the programme, the basic requisites for its successful functioning were not ensured. Charkhas were allowed to be manufactured and distributed although they were defective. Adequate repair and servicing arrangements had also not been made. Charkhas had been distributed to artisans who were not fully trained for the job. The Committee hope that more energetic steps would now be taken to overcome the shortcomings in the Ambar Programme and also to activate the idle charkhas already distributed.

More energetic steps to activate idle Charkhas suggested.

D. Accumulation of khadi

65. The details of khadi produced and sold during the last four years are shown below:—

Production and sales.

(Rs. in lakhs)

Year	Opening stock	Value of production	Retail sale	%age to production	Balance
1957-58	116.17	893.75	829.85	92.9	180.07
1958-59	180.07	1,231.37	861.10	70.0	550.34
1959-60	550.34	1,301.57	1,060.45	81.5	791.46
1960-61	791.46	1,319.08	1,321.29	100.1	789.25
TOTAL		4,745.77	4,072.69		

66. It would be seen that khadi worth Rs. 789.25 lakhs i.e. about 60% of annual production remained unsold on 31-3-1961. The sales have not been keeping pace with production and were low during 1958-59 and 1959-60. There has been some improvement during 1960-61.

Unsold stocks.

67. The Commission organised special sales promotion measures during the period 1958-59 and 1959-60 by allowing special rebates, large-scale expansion of sales depots by institutions in areas that had not been covered, additional concession on sales etc. It also purchased khadi valued at Rs. 2.07 crores in 1960-61 from institutions in various States for sale in its Emporia.

Measures taken.

68. It was stated that the stock of Khadi had since come down and there was no accumulation. A Marketing Committee under the Chairmanship of the Textile Commissioner had also been appointed to go into the matter and

Present position.

make suggestions for increasing the sales of khadi. *The Committee trust that in future suitable measures would be taken in time to prevent the accumulation of khadi, especially because with the progressive improvement in Ambar Charkha the problem of finding a market for khadi is likely to become acute.*

E. Expenditure

69. The total disbursements on khadi activities and the value of production during each of the last five years are shown below:—

Year	(Rs. in crores)	
	Expenditure	Value of production
1956-57	8.35	8.22
1957-58	11.17	11.48
1958-59	14.58	13.76
1959-60	14.83	14.14
1960-61	15.78	13.19 (exclusive of self-sufficiency)
	64.71	60.79

Study of output outlay suggested.

70. Asked whether the production of khadi was commensurate with the disbursements made therefor, the Chairman of the Commission stated that the latter included expenditure on all items like purchase of cotton, training, research, development, etc. The representative of the Ministry stated that considering the developmental nature of most of the activities the result might not be considered unsatisfactory. *The Committee, however, note that the output of Khadi per rupee worth of outlay has declined from Rs. 0.70 in 1957-58 to Rs. 0.44 in 1960-61. While the decline in output might be attributed to idle ambar charkhas during the latter part of the Second Plan, the Committee suggest that the output of Khadi and village industries should be constantly studied with reference to the outlay so that timely action could be taken to remove the drawbacks in the implementation of the programme, if any.*

F. Production Centres

Organisation by the Board.

71. In the First Five Year Plan, the Planning Commission made it clear that 'the primary responsibility for carrying out programme for village industries rests with State Governments'. The erstwhile Khadi Board contemplated that while

its main responsibility would be the co-ordination of effort and provision of technical and financial assistance and guidance, wherever necessary, executive responsibility for the programme would largely vest in the State Boards. The Committee, however, note that 122 production centres were directly organised by the All India Khadi and Village Industries Board in Andhra Pradesh, Kashmir, Bengal and Assam and have been continued by the Commission.

72. It has been stated that in Andhra and Kashmir the Board had to shoulder the responsibility of organising Khadi directly, as the All India Spinners' Association had withdrawn from active work and there was no other agency to continue the work. In Bengal and Assam, the Board organised the production centres directly because their organisation was a new venture. *The Committee, however, note that even in 1953, State Boards were functioning in the States of West Bengal, Assam and Hyderabad*. In these States at least, there was no clear justification for the All India Khadi and Village Industries Board and later the Commission for participating directly in implementation of the programme, as they were intended for preparing and organising programmes and not for executing them.* The Committee note that the policy of the Commission is to hand over Centres organised under its trading operation scheme to the respective State Boards as and when arrangements are ready for such transfers. In pursuance of this policy, the Commission has since decided to transfer its production centres in Andhra to the Andhra State Board. Negotiations are also being carried on for handing over its operations in the Calcutta region to the West Bengal State Board. *The Committee urge that similar action should be taken at an early date with regard to its activities in the other States.*

G. Khadi activities in different States

73. A statement showing the disbursements, production of khadi and quantity of cotton grown in each State is given below:—

State	Expenditure during Second Plan (Rs. in lakhs)	Percentage to total	Khadi produced (Lakh Sq. Yds.)	%age to total	Cotton grown ('000 bales in '59-60)
1	2	3	4	5	6
Andhra . . .	464.41	7.2	339.86	12.3	115
Assam . . .	27.08		2.29		9
Bihar . . .	1,092.50	16.9	450.89	16.3	1
Bombay . . .	868.01	13.4	94.09	3.4	1,533

*At the time of factual verification it was stated that these bodies were advisory and had limited powers. The erstwhile Khadi Board could not therefore deal with them directly.

1	2	3	4	5	6
Delhi	80.88		42.69		(a)
Jammu & Kashmir	13.14		22.96		..
Kerala	128.97		42.80		8
Madhya Pradesh .	159.48		27.70		279
Madras	556.79	8.6	394.99	14.3	401
Mysore	308.94		91.41		465
Orissa	98.45		19.45		2
Punjab	665.89	10.3	601.73	21.7	800
Rajasthan . . .	568.78	8.8	209.99	7.2	148
Uttar Pradesh .	1,192.38	18.4	731.34	23.5	67
West Bengal . .	239.96		52.36		(a)
Himachal Pradesh	0.95		..		(a)
Manipur	0.87		..		(a)
Tripura	3.10		..		7
	6,471.17*		3,124.55**		3,835

74. It would be seen that the expenditure on khadi is concentrated in Uttar Pradesh, Bihar and Bombay, being 18.4% 16.9% and 13.4% respectively of the total expenditure. Further while the production of khadi in these areas works out to 23.5%, 16.3% and 3.4% respectively of the total khadi production, the cotton grown in these areas accounts for 1.7%, 0.3% and 39.9% respectively of the total cotton production in the country. There is thus no relation between the expenditure on khadi and the availability of cotton in these areas. The Chairman of the Commission told the Committee during evidence that Uttar Pradesh and Bihar were responsible for a major portion of khadi production. In order to increase production, greater financial assistance had to be given to these States. A major proportion of the expenditure in Bombay was due to large sales in that area. He added that cotton growing areas were on the whole economically better off than other areas where non-commercial crops were grown and as such, people there were not inclined to take to spinning whereas in areas like Bihar, due to deep-rooted poverty, people took to such work.

75. The price differential between khadi and mill cloth varies between 10 annas and Rs. 2 per yard, which is large

*Including Rs. 0.24 lakhs disbursed in Pondicherry and Rs. 0.35 lakhs utilised as M.O. Commission for which State wise break up is not available.

**Excluding 0.18 lakhs Sq. Yds. for which break-up is not available.

(a) Below 500.

enough to create a consumer preference in favour of non-khadi cloth. As such, the Commission has to aim constantly at reducing the price of khadi. The Committee note that in this connection the Khadi Evaluation Committee observed as under:—

“The price of cotton constitutes one-fifth of the total cost of production. Reduction in the prices of Khadi cannot be effected unless earnest efforts are made in every State to produce local varieties of cotton. Expert opinion available indicates that satisfactory varieties of cotton can be grown almost in every part of the country; and unless development of Khadi is based upon supply of local cotton, one of the important factors on which the reduction of cost of Khadi depends, cannot be brought into play.”

They hope that the Commission would take necessary action in the matter and that the price of Khadi would be brought down.

H. Marketing

76. Five big Khadi and Gramodyog Bhavans were started by the Commission one each in Bombay, Delhi, Madras, Calcutta and Bangalore for the sale of Khadi and Village Industries' products. The management of the Bombay Emporium* has recently been transferred to the Bombay Suburban Village Industries Association. The details of retail sales and profit and loss of the other four Bhavans during the last three years are shown below:—

Khadi
Bhavans of
the Com-
mission.

(Rupees)

	1957-58		1958-59		1959-60		Net
	Retail sale	Profit+ Loss—	Retail sale	Profit+ Loss—	Retail sale	Profit+ Loss—	Profit+ Loss—
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Delhi	29,66,825	+40,571	26,81,407	+18,656	32,75,363	+25,485	+84,712
Madras	2,50,192	—17,348	7,84,172	—23,429	9,49,515	—69,669	—110,446
Bangalore**	—	—	3,61,211	—20,952	8,62,516	+15,300	—5,652
Calcutta	3,47,594	—14,898	9,59,207	—84,396	10,21,735	—52,083	—151,377
TOTAL :							—182,763

*The Bombay Emporium suffered a net loss of Rs. 1,69,623.73 during the 3 years' period (1957-58 to 1959-60). During this period its retail sales amounted to Rs. 110.17 lakhs.

**The Bhavan was opened on 2-10-1958.

Sales Depots
of State
Boards and
registered
institutions.

The State Boards and registered institutions assisted by the Commission have also started Sale Depots in these cities.

Their number in each of these cities is shown below:—

	No. of Bhandars	No. of Depots	Total
Delhi	5	1	6
Calcutta	8	4	12
Bombay	11	2	13
Madras	5	1	6
Bangalore	3	2	5
	32	10	42

In addition, the State Governments have also organised their emporia in cities like Delhi for the sale of handicrafts.

Policy of the
Commission.

77. The Committee were informed that it was not the intention of the Commission to undertake direct responsibility of organising sales of khadi. Since there were no other institutions which could manage the various Bhavans efficiently, the Commission had to step in. *The Committee would like the Commission to adopt a consistent policy with regard to the management of these Bhavans. If the policy is to transfer this responsibility to other agencies, action should be taken in furtherance of that objective.*

I. Survey

Comprehen-
sive survey
of possibili-
ties of
developing
Khadi
suggested.

78. The Committee understand that the Commission has not carried out any survey of the areas favourable for the development of khadi. On the basis of experience, the Commission was stated to be aware of the areas where khadi could be developed. *An areawise survey is the pre-requisite of planned development of any industry. The Committee suggest that a comprehensive survey of the possibilities of developing khadi in various States with reference to the availability of raw materials and other facilities, incidence of unemployment etc. be made and completed within a specified time.*

J. Reservation for Khadi

79. It has been represented to the Committee that the emphasis and encouragement given by Government to the textile industry stand in the way of any extensive work in

khadi which should have been given either a non-competitive protected market or there should have been a common price policy. Another view was that production of khadi should be restricted to coarser and cheaper varieties so that it would have a ready market.

80. It was stated that the Commission did not consider the proposition of common price policy advisable at present as, in its view, there were many other means through which the same objective could be achieved.

81. As regards reservation for khadi, the Chairman of the Commission stated during evidence that the production of khadi depended on the variety of cotton available at a particular place. Further all varieties of cotton did not lend themselves for lower counts of cloth. The representative of the Ministry stated that the price of such cloth would be higher. Further, it had to be considered whether khadi would be able to meet the entire requirements of cloth of lower counts in the country. *The question of reservation of certain categories of cloth of lower counts for khadi seems to be a moot point. A Committee is stated to be going into the matter. The Committee trust that the feasibility of such a reservation would be examined by that Committee.* Feasibility to be examined.

K. Use of Power

82. The Committee were informed that the Commission had set up a Power Committee and its Power Section was conducting experiments as to the operations that could be carried out mechanically. The Commission was of the view that if a community produced khadi for self-consumption it would allow the use of power. Otherwise the problem was that if khadi produced with power were to be sold in the Bhandars, there would be unhealthy competition between the areas using traditional charkhas and those using power. In reply to a suggestion that instead of carding and slivering of cotton manually, these primary processes might be done by small machines suited to the villages, it was stated that a small carding machine had been installed at the research centre of the Commission. But the textile engineers were of the view that the advantages gained from mechanising the other processes, viz. roving and slubbing would not be commensurate with the output or capital investment involved. *The Committee feel that by the mechanisation of preparatory processes which are being experimented upon or perfected it would be possible to produce more uniform and better quality of cloth.* Mechanisation of preparatory processes suggested.

L. Rebates and Subsidies

83. The expenditure on rebates and subsidies allowed to Khadi and Village industry institutions during the Second Expenditure.

Plan (up to 31-12-60) amounted to Rs. 13.93 crores as follows:—

Khadi		Rs. 13.31 Crores
Village Industries		Rs. 0.62 Crores
		Rs. 13.93 Crores

84. In their Report, the Khadi Evaluation Committee observed as follows:—

“Rebates and subsidies and other contributions are needed as necessary props while the decentralised economy is being built up. These props should not be indefinitely needed for the support of khadi or any other decentralised industry. We are definitely of the opinion that khadi needs props, which it should be able to do without in a reasonably short time. We are not in favour of indefinite continuance of public contributions for making khadi a working proposition.”

85. In this connection, the Study Group on the Welfare of the Weaker Sections of the Village Community (headed by Shri J. P. Narain) also stated as follows:—

“Rural industries must be given adequate protection from urban industries, and appropriate ways must be discovered to that end. In our view, subsidies and rebates are not so appropriate.”

Phased Programme for eliminating subsidies/ rebates suggested.

86. The Chairman of the Commission told the Committee during evidence that while it might be possible to discontinue the payment of management subsidy to the production units, it was doubtful whether subsidies and rebates could be done away with altogether. The Secretary of the Ministry stated that if organisation improved, it might be possible to do without subsidies in 15 to 20 years insofar as khadi was concerned. *The Committee note from the Third Five Year Plan that one of the main objectives to be kept in view in implementing the programmes for village and small industries is “to reduce progressively the role of subsidies, sales rebates and sheltered markets.” This is an objective which the Committee hope would be constantly borne in mind by the Commission.*

VI

VILLAGE INDUSTRIES

87. The names of village industries originally selected for development by the Commission are shown below:—

- (1) Bee keeping;
- (2) Cottage Match Industry;
- (3) Cottage Pottery Industry;
- (4) Cottage Soap Industry;
- (5) Flaying, curing and tanning of hides and skins and ancillary industries connected with the same and cottage leather industry;
- (6) Ghani Oil Industry;
- (7) Handmade Paper Industry;
- (8) Manufacture of cane gur and khandsari;
- (9) Palm gur making and other palm products industry; and
- (10) Processing of cereals and pulses.

88. The following four industries have since been added:—

- (1) Fibre (other than coir);
- (2) Blacksmithy and carpentry pertaining to implements and equipment connected with industries under the purview of the Khadi and Village Industries Commission;
- (3) Manufacture and use of manure and methane gas from cowdung and other waste products (such as flesh of dead animals, night-soil etc.); and
- (4) Cottage industry of limestone and its products.

A. Evaluation Committee

89. As in the case of khadi, the progress made by the Commission in the development of village industries has been assessed by an Evaluation Committee in 1959 which was appointed at the instance of the Planning Commission. That Committee has gone into the matter in detail. It observed that the size of the organisational effort was small in relation to the scope for development of the industries judged

by the availability of raw materials and the number of artisans engaged. The report of the Evaluation Committee was placed before Parliament and its recommendations are stated to be under consideration of the Commission and the Government. *It is hoped that a statement showing the action taken on the recommendations of the Evaluation Committee would be placed before Parliament.*

B. Survey

Possibilities
of develop-
ment in
various
States.

90. The Committee understand that the Village Industries included in the schedule to the Act were selected for development mainly on account of the employment potential and the scope that existed for their development. *No systematic survey of the possibilities of their development in each State had, however, been made by the Commission so far. The Committee consider it very necessary that regional surveys of resources and needs are carried out in the very beginning so that the programme could be properly shaped and oriented in areas where favourable conditions existed for their development. In para 78 the Committee have already suggested a survey in regard to Khadi. They suggest that a similar survey of the possibilities of developing village industries in the various States may also be taken up at an early date.*

C. Disbursements

State-wise.

91. A State-wise break-up of the disbursements made for village industries during the last 5 years is given blow:—

State	Rs. lakhs	Per- centage to total
Andhra	168.27	9.4
Assam	54.75	3.0
Bihar	197.40	11.0
Bombay	333.87	18.6
Delhi	2.41	0.13
Jammu & Kashmir	3.30	0.18
Kerala	70.95	3.9
Madhya Pradesh	89.98	5.0
Mysore	106.52	5.9
Madras	168.56	9.4
Orissa	101.15	5.6
Punjab	92.13	5.1
Rajasthan	108.73	6.0
Uttar Pradesh	198.46	11.0
West Bengal	95.74	5.3
Himachal Pradesh	0.17	0.009
Manipur	3.61	0.20
Tripura	1.12	0.0
TOTAL	1,797.94*	

*Including 0.73 lakhs in Pondicherry.

92. It would be seen that the percentage of disbursements in States like Bombay, Bihar, U.P., Andhra and Madras is comparatively high. This was ascribed to the fact that these States were favourably situated in regard to certain industries. It appears that there were no criteria for the distribution of funds to the various States in this regard. The Committee feel that some broad principles e.g. population, backwardness of the area, availability of raw materials etc. may be laid down to determine the extent of financial assistance to be given by the Commission.

D. Production

93. A statement showing the expenditure incurred on the development of each of the village industries during the period of the Second Plan and the production achieved in 1960-61 is given below:—

Expenditure and Production in various States.

Village Industry	Total expdr. during the 2nd Plan (Rs. lakhs)	Production 1960-61 (Value—Rs. lakhs)
(i) Processing of Cereals & Pulses	282.57	363.84
(ii) Village Oil	532.49	1669.12
(iii) Village Leather	204.45	35.50
(iv) Cottage Match	37.62	1.23
(v) Gur & Khandsari	146.02	716.55
(vi) Palm Gur	136.62	422.80
(vii) Non-edible Oil & Soap	168.12	34.92
(viii) Handmade Paper	101.78	24.23
(ix) Bee-keeping	55.36	17.38
(x) Village Pottery	97.83	31.92
(xi) Fibre	24.75	6.56
(xii) Carpentry & Blacksmithy	10.33	1.62
TOTAL	1,797.94	3325.67

94. The Committee were informed that no State-wise targets under any village industry had been fixed for the Second Plan. In the Commission's Second Five Year Plan, the development programmes were tentatively drawn up, assuming that all the funds required for their implementation would be made available by Government. Since the actual allocation of funds was on an annual basis, the programme for each year had to be decided accordingly.

State-wise Targets not fixed.

95. The Committee note that in the Second Five Year Plan, an allocation of Rs. 16.33 crores was made for the development of Village Industries. As such the tentative plan of the Commission should have been revised in relation to the allocation actually made. The Five Year Plans are

Annual Targets in relation to allocation of funds suggested.

intended to focus attention on achieving clearly defined objectives for which the resources and energies are to be mobilised. Annual targets of performance to be achieved by the Commission in relation to the funds allocated should be fixed and the achievements appraised against them. The Committee hope that at least in future Government would insist on the preparation of proper Plans by such bodies and would watch their performance against the objectives at the time of allotting further funds.

E. Organisation for Village Industries

Common
Organisation
for allied
industries
suggested.

96. The Commission has appointed two separate organisers one for edible oil and the other for non-edible oil and soap industries. In justification it was stated that the problems of the two industries were different. The manufacture of soap with non-edible oil was an activity which could not easily be integrated with the crushing of edible oilseeds industry. The Commission had undertaken to consider the scope for integration to the extent possible. *The Committee feel that some economy could be achieved if allied industries were placed under one organiser. They hope that the Commission would re-examine this matter.*

97. *They further suggest that similar integration of organisations for the Gur and Khandsari and Palm Gur industries might also be considered.*

F. Village Oil Industry

98. The Committee find that the Indian Central Oilseeds Committee, a statutory organisation under the Ministry of Food and Agriculture, has also been engaged in the development of village oil industry since 1947. The activities of the Oilseeds Committee and the Khadi Commission insofar as they relate to oil industry are given below:—

Oilseeds Committee

1. Organisation of co-operative societies of oilmen;
2. popularisation of Wardha Ghanis;
3. setting up and running demonstration units in the Community Project and Block Development Areas;
4. advance of interest-free loans to co-operatives;
5. training of organisers and carpenters for the development of village oil industry;
6. subsidising loss incurred by co-operatives whole-sale stores through fluctuation in oilseed prices; and
7. scheme for evolving an improved type of ghani for extraction of linseed oil.

Khadi Commission

1. Organisation of co-operatives of oilmen;
2. Distribution of Wardha Ghanis;
3. Organisation of Model centres;
4. Financial Assistance to co-operatives and registered institutions;
5. Training of telis etc.

99. It is seen that most of the activities of the two organisations are common. Popularisation of Wardha Ghanis which is one of the important activities of the Khadi Commission is also the concern of the Central Oilseeds Committee. The Committee were told during evidence that the Indian Central Oilseeds Committee did not take up field expansion work on the scale of the Khadi Commission. Further, the activities of the former were restricted to certain areas only. *The Committee have earlier referred to the need for avoiding duplication between the various organisations engaged in similar activities. It would be desirable if the development of village oil industry is entrusted to one body only. The Committee recommend that the matter may be examined with this end in view.*

100. *The Committee find that traditional telis (oilmen) are not impressed with the efficiency of improved Wardha Ghanis which are distributed by the Commission. The extraction of oil in both types of ghanis (traditional and Wardha) is stated to be more or less the same and the annual repair cost per improved ghani is nearly 50% higher than that required for a traditional one and, even at the subsidised rate of Rs. 150 per improved ghani, the cost of it is nearly twice as much as the price of the traditional one. It was also reported that in certain places oil produced by small expellers was sold as ghani oil, thereby evading excise duty on mill oil. The Committee trust that the Commission would look into these matters.* Ghanis.

G. Gur and Khandsari Industry

101. *The Committee understand that the work relating to the Gur and Khandsari Industry has recently been transferred from the Ministry of Commerce and Industry to the Ministry of Food and Agriculture. Government considered that the Commission could more appropriately deal with the latter Ministry in regard to technical and advisory aspects of Gur and Khandsari Industry. The administrative and budgetary control, however, continues to be exercised by the Ministry of Commerce and Industry. The Commission has requested for the transfer of Palm Gur Industry also to the Ministry of Food and Agriculture in like manner. The Committee feel that, on the same analogy, the feasibility of transferring the work relating to industries like processing of cereals, Village Oil and Bee-keeping to the Ministry of Food and Agriculture may be considered.* Transfer to Food and Agriculture Ministry.

H. Handpounding of Paddy

Programme
during
Second Plan.

102. The Second Five Year Plan of the erstwhile Khadi Board envisaged that there would be a phased transfer of paddy processed by mills to the handpounding industry resulting in the gradual elimination of rice mills over a five year period. The erstwhile Board and later the Commission urged the Government of India not to issue licences for hullers. Accepting the suggestion, the Government enacted Rice Milling Industry (Regulation) Act, 1958. But the number of licences issued since the Act was passed had increased and the State Governments apparently did not consider the elimination of rice mills as feasible of realisation. The Secretary of the Ministry stated during evidence that the above object of the Commission was not capable of achievement. Further, it was doubtful whether it would be possible to handpound the desired quantity of paddy within the required time.

Coordina-
tion and con-
sultation
with State
Governments
suggested.

103. *The Committee regret to observe that the capacity of handpounding industry was not realistically assessed and was far overrated and that hopes entertained about the elimination of rice mills over a period of 5 years were not capable of being realised. As already noted, the Secretary of the Ministry had misgivings about it and held that it was not possible of realisation. The Committee desire that in such matters programmes and plans should be drawn up in consultation and co-ordination with the State Governments/State Boards after full appreciation of the practical difficulties regarding their fulfilment.*

I. Non-edible Oils and Soap Industry

Objective.

104. The primary object of developing non-edible oil and soap industry was to find substitute oils for that industry and release the edible oils for human consumption. The Committee, however, noted that the non-edible oil produced in 1959-60 (378,172 lbs.) was just sufficient for the production of 310 tons of soap (@ 61,204 lbs. for 50 tons of soap) whereas 2402 tons of soap were stated to have been produced in that year. It was explained by the Commission that in addition to the non-edible oils obtained by the units through their own seed collection and crushing centres, the production centres obtained their oil requirements from the All India Non-edible Oil Industry Association. Production Centres were permitted to use coconut oil but its use was restricted to 15% of the total requirements of light oil. The Commission had recently sanctioned the establishment of

oilseed collection centres in different States which would help achieve the primary objective of developing the industry.

105. *The Committee consider that the production of the Non-edible Oil Industry Association, if it were an aided institution of the Commission, should have been included in the figures of production of non-edible oil published in the Reports of the Commission. The Committee's doubt that edible oil had gone into the manufacture of soap is also confirmed by the Evaluation Committee on Village Industries, which says:—*

Observation
of Evaluation
Committee.

“...The representatives of different agencies were unanimous in the view that the soap manufacture so far has been with a generous admixture of edible as well as non-edible oils.”

106. *The Committee hope that Government would look into the matter and ensure that the primary object of developing the industry is fulfilled.*

J.Third Plan

107. The Commission has proposed an outlay of Rs. 34.92 crores for the development of village industries in the Third Plan. A statement showing the number of units allotted, those operating and proposed to be set up in some of the industries is given below:—

Outlay on
Village
industries.

	Units allotted	Units Operating (1959-60)	Units proposed in Third Plan
1. Cottage Match			
‘D’ Class factories	467	24	200
2 Village Leather:			
(i) Flaying Centres	646	214	3450
(ii) Bone Crushing Units	154	13	190
(iii) Tanneries	325	108	205
(iv) Glue manufacturing Units	..		190
3. Non-edible Oil and Soap:			
A Units	77	74	..
B Units	128	89	50
C Units	477	314	145
4 Hand-made Paper :			
(i) Big Units	13	13	..
(ii) Medium Units	68	35	100
(iii) Small Units	116	55	..

	Units allotted (1959-60)	Units Operating	Units pro- posed in Third Plan
(iv) Training (School units) .	258	203	300
(v) Home Units	10	5	495
5 Village Potteries:			
(i) Common Workshed	25*	26*	155
(ii) Building Material Units	53*	4*	155
(iii) Glazed Pottery Units	10*	1*	117

*(1960-61).

108. *The Committee find that provision has been made for the setting up of additional units in the various industries during the Third Plan although a major portion of the units allotted earlier have not gone into production. For example, out of 467 units allotted to the Cottage Match Industry during the 2nd Plan, only 24 are working. Rs. 42.03 lakhs were disbursed to these units. The investment on 24 units actually set up, amounted to Rs. 2.16 lakhs. A sum of Rs. 27.64 lakhs had been recovered and the Commission expected to recover the balance of Rs. 12.23 lakhs from the units which were unable to implement the programme. The Committee are not aware of the position with regard to the other industries, as the information in that respect had not been made available to them.*

109. *The Committee are not able to appreciate how when not more than 24 out of 467 units allotted for the Cottage Match Industry are working—the Commission has planned to set up another 200 units during the Third Plan. It looks as though the past experience has been no guide to the Commission. They hope that the Commission would review its programme periodically with reference to the actual performance and, before allotting further units, would ensure that the units allotted earlier have actually been set up.*

VII

ORGANISATION

110. The organisation at the headquarters of the Commission in Bombay consists of the Chairman, three members and the Member-Secretary of the Commission, the Chief Executive Officer and the Directors-in-Charge of different branches. For implementing its developmental schemes, the Commission is assisted by the Zonal Directors in the States and organisers/advisers.

A. Composition of the Commission

111. The names of Members of the Commission as constituted on 1st April, 1960 are given below:—

1. Shri Vaikunth Lal Mehta—*Chairman*.
2. Shri A. W. Sahasrabudhe.
3. Shri Pranlal S. Kapadia (*Member-Secretary*).
4. Shri Dhwaya Prasad Sahu.
5. Shri K. Arunachalam.

112. *The Committee find that the composition of this Commission does not conform to accepted pattern. The relevant provision in the Act reads as under:—* Government officials not included.

“The Commission shall consist of not less than three and not more than five members appointed by the Central Government, one of them being nominated by the Central Government to be the Chairman thereof, and the members may be either whole time or part-time, as the Central Government may direct.”

It is seen that it does not preclude any official from being appointed on the Commission. The Government has chosen to put on the Commission only non-officials who in the opinion of Government have full faith in the ideals and principles laid down by Gandhiji, etc.

113. The Secretary of the Ministry explained that the present set up was due to the historical evolution of the Reasons.

khadi movement. It was apprehended that if permanent officials were made the Members of the Commission and given the right to vote, the occasions on which there were likely to be differences of opinion might be more frequent. It was thought that a more elastic method would be to associate officials so that they were in a better position to influence rather than participate in the decisions.

Views of the Committee.

114. *In this connection the Committee note that Government has recently decided* that it would not only be advantageous but necessary to have one representative each from the Finance Ministry and the administrative Ministry on the Boards of each of the Government Companies/Corporations. The Committee are not sure whether an exception has to be made in the case of Khadi Commission. They recommend a re-examination of the position whether the Commission should be treated as an exception to this rule.*

B. Composition of the Board

Criteria for appointment.

115. To assist the Commission in the discharge of its functions, the Khadi and Village Industries Board has been constituted under Section 10 of the Act. A list of the members of the Khadi Board is given in Appendix III. The criteria for the appointment of Members on the Board are stated to be devotion to work, association with Khadi and Village Industries work in the past and readiness to spare time for such work in future.

(i) Representation of State Governments.

116. The then Minister of Production (at the time of moving the Khadi and Village Industries Commission Bill for consideration of the House) had stated that it was the intention to provide for representation of State Governments on the Khadi Board. But that has not been done. When asked why this assurance had not been implemented, the Secretary of the Ministry stated that the question had not been examined separately though people from different States were on the Board.

Views of the Committee.

117. *The Committee consider that there is some virtue in having the representatives of State Governments on the Board in view of the fact that the execution of the various*

*Decisions of the Government of India on the recommendations contained in the Report of Krishna Menon Committee and other Reports and Studies on the running of Public Undertakings.

schemes of the Commission necessarily devolves on the State Boards set up by the State Governments. The representative of the Ministry felt that in view of the assurance given on the floor of the House by the Minister, he was bound to put it up to him to see whether some consideration should be given to this matter again. The Committee feel that the matter deserves necessary consideration in the light of the above remarks.

118. *The Committee further recommend that the desirability of giving representation to the specialised agencies like the Council of Scientific and Industrial Research, Indian Central Oilseeds Committee, Indian Central Cotton Committee etc. on the Khadi Board might also be considered since they are also engaged in one way or the other with activities cognate to the development of Khadi and Village Industries.*

(i) Representation to specialised agencies.

C. Member-Secretary

119. The Central Government has appointed a member of the Commission as its Secretary as stipulated under Section 5 of the Act. He works under the general control of the Chairman and performs the following functions:

Functions.

- (i) convening of meetings of the Commission under the directions of the Chairman;
- (ii) drawing up agenda for each meeting under the Chairman's directions and supplying the same to each Member of the Commission along with the notice of the meeting;
- (iii) maintenance of the minutes of the meetings of the Commission;
- (iv) furnishing to the Government all reports, including annual reports and returns and necessary documents required under the Act or the rules; and
- (v) preparation of the annual budget of the Commission in consultation with the Financial Adviser.

120. Besides, the Chairman has delegated to him certain powers and duties under Rule 11 of the Khadi and Village Industries Commission Rules, 1957, as shown in Appendix IV.

121. The Commission has also appointed a Chief Executive Officer who works under the control of the Chairman or under the directions of the Member-Secretary.

Chief Executive Officer.

The post of the Chief Executive Officer was not provided for in the Act but has been created under the Rules made thereunder. He is assisted by the Deputy Chief Executive Officer. The powers and duties entrusted to him under the Khadi and Village Industries Commission Regulations are:

- (i) to co-ordinate, supervise and control the work of officers and establishments of the Commission;
- (ii) to implement the decisions taken by the Commission;
- (iii) to frame annual budget estimates and supplementary budget estimates under the directions of the Secretary and in consultation with the Financial Adviser, who will scrutinise and exercise such supervision over the preparation as he considers necessary before the budget is placed before the Commission;
- (iv) to administer the contributory Provident Fund of the Commission, when established;
- (v) to sanction contingent expenditure to the extent of powers delegated to him by the Commission, from time to time;
- (vi) to examine applications for assistance (both grants and loans) and place them before the Commission for sanction; and
- (vii) to undertake such other duties and exercise such other powers as may be assigned to him by the Commission or the Chairman.

122. *It would be seen that a non-official member of the Commission has been entrusted with the functions which should normally be performed by its Chief Executive Officer.* The Chairman of the Commission stated during evidence that at the time of constitution of the erstwhile Board it was decided that a Member should act as its Secretary. That position continued later after the setting up of the Commission. The Secretary of the Ministry, however, stated that the post of the Chief Executive Officer was not provided for in the Act because the Commission wanted him to be completely a whole-time servant. If an official were to participate in the discussions and formulation of policy, the Commission could not always be sure of his falling in line with the ideology of the Khadi movement.

123. The Committee do not appreciate the reasons adduced for entrusting the secretarial functions to a non-official Member of the Commission. They do not share the view that an official might not fall in line with the ideology of the Khadi movement merely on the ground that the status of the Chief Executive Officer does not permit him to participate in the deliberations of the Commission and formulation of its policies. He can only make suggestions for the consideration of the Commission and once a policy decision is taken he is expected to carry it out faithfully in accordance with the best traditions of the service. Since, however, the present arrangement is stated to be working satisfactorily the Committee do not want to comment on this point. The Committee consider that things ought to be institutionalised in the sense that the constitution of any public body should follow certain accepted patterns.

D. Staff.

124. The staff strength of the Commission's Head Office is as follows:—

	Officers	Supdts. Asstt.- Supdts. Investi- gators.	UDCs Stenos	LDCs. Typists	Tech. staff	Class IV staff	Total
1-1-1959	51	91	246	259	16	144	807
1-1-1960	55	92	249	261	16	144	817
1-1-1961	49	93	271	281	17	144	855

The expenditure on the Head Office amounted to Rs. 53.38 lakhs during the year 1960-61 as follows:—

Item	Rs. (Lakhs)
Pay	20.11
Allowances	20.17
Contingencies	13.10
	53.38

125. The Committee note that in the Khadi Evaluation Committee's view the size of the Commission has grown with the expansion of work but its growth has more than kept pace with its needs. The Chairman of the Commission informed the Committee during evidence that the question whether the present organisation had outgrown in size or was bigger than necessary had engaged its attention. The Commission had appointed a Committee comprising of Shri R. K. Patil, the Financial Adviser and the Chief Executive Officer to examine the workload and functions of the

Views of
Evaluation
Committee.

different sections with reference to the Evaluation Committee's Report.

Re-organisation of Commission suggested.

126. *One of the main questions, that have engaged the attention of the Committee, is the exact scope and functions of the Commission. The Khadi Evaluation Committee suggested that the Commission should confine its activities to the provision of financial assistance, technical and economic research and major policy issues and leave the actual implementation of the programme to other agencies. The Committee also had the benefit of the Memorandum by a well-known worker in the field of khadi, and a leading Member of Parliament, who stated that the expenditure on the establishment of the Commission should be 'drastically cut down and only a small and compact organisation may be maintained for distributing loans, subsidies, rebates and for audit and general supervision. When these views were put forward to the Chairman of the Commission he referred to the appointment of a Committee set up to examine the strength of the staff from the point of view of the Evaluation Committee's recommendation as also the views contained in the Memorandum referred to above. The representative of the Ministry, when asked whether he would agree with the view set out in the Evaluation Committee's Report as also the suggestion made by the well-known khadi worker, opined that what was suggested in the question was a desirable development. The Committee agree with the above suggestions and recommend that the Khadi Commission may be re-organised suitably to serve the purposes now envisaged.*

Technical Staff.

127. *The Committee note that the strength of technical staff in the Central office of the Commission works out to about 2 per cent of the total staff strength. Since the Commission is charged with the task of preparing and organising programmes for the development of Khadi and Village Industries, it is essential that it should have adequate technical personnel to man the various spheres of its activities. This matter might also be looked into by the Committee appointed by the Commission.*

E. Zonal Offices

Functions.

128. As stated in para 110, the Commission is assisted by its Zonal Directors in each State in the implementation of its schemes. These Zonal Offices employed 651 persons in 1960-61 and a sum of Rs. 39.17 lakhs were spent on their pay and allowances during that year. Their main functions are:—

- (1) Control over Village Industries staff;
- (2) Liaison with State Boards;

- (3) Maintenance of dossiers of institutions, undertaking Khadi and Village industries schemes;
- (4) Confirmation of balance of loans;
- (5) Execution of hypothecation deeds;
- (6) Utilisation certificate reports;
- (7) Maintenance of list of institutions who have defaulted in the payment of instalments of loans and/or interest thereon; and
- (8) Compilation of periodical annual reports.

129. The observations made by the Khadi Evaluation Committee on the working of these offices are reproduced below:—

Views of the
Evaluation
Committee.

“Most of the zonal offices are at present overstaffed in relation to both the quality of service and the number of functions assigned to them after the constitution of the State Boards. Zonal Offices have generally not been able to influence the quality or quantity of work and have been bypassed by the more important and influential institutions in the zone If State Boards are reorganised and cured of the serious defects from which they have been suffering, they should be able to assume supervisory and co-ordinating functions and it would be unnecessary for the Commission to have its Zonal staff for the purpose.”

130. The Chairman of the Commission stated during evidence that at present there was no organisational or constitutional link between the Commission and the State Boards. As such, it was necessary for the Commission to have some organisation in the States. He, however, admitted that in two States where the bulk of Khadi production was being carried on by large-sized institutions, the Zonal Offices had not been effective enough. *The Committee are not convinced of the need for these Zonal Offices. They fully endorse the views of the Khadi Evaluation Committee about the over-staffing in the Zonal Offices in relation to the quality of work rendered by them. If the suggestion made by the Committee in para 132 of the Report were implemented that would lead to the establishment of the desired link between the Commission and the State Boards and thus obviate the need for having these Zonal Offices. Further, the suggestion made by the Committee for the disbursement of funds to all institutions through the State Boards would enable the Commission to transfer most of the functions of the Zonal Offices to the State Boards.*

Necessity of
continuing
zonal offices
to be examined.

F. State Boards

Set up not uniform.

131. The erstwhile Khadi Board was required to implement its schemes in close co-operation with the State Governments. For this purpose it requested all State Governments to set up statutory State Khadi and Village Industries Boards which have since been set up in all the States. *The Committee understand that the set up of the various State Boards is not uniform. Quite a few States have followed one pattern of organisation while others have a different set up. Further, some State Boards undertake trading activities while others do not. It has, therefore, been suggested that the organisation and functions of all the State Boards should follow a uniform pattern.* Since the State Boards derive their entire funds from the Commission, it has also been suggested that its nominee (a resident of the respective State) should also be appointed on each State Board so that he could participate in the deliberations of the State Boards and ensure the proper execution of policies and programmes of the Commission and report to it in case there were any major deviations from the accepted principles. The Chairman of the Commission stated that it was possible to have a nominee of the Commission on each State Board if there was a Model Act to be followed by each State.

Model Act Suggested.

132. *The Committee suggest that the desirability of preparing a Model Act on the analogy of the State Financial Corporations Act, 1951 providing for a uniform set up for the State Boards as also an organisational link between the Commission and the State Boards might be considered by Government.*

G. Location of Offices

133. The following offices of the Commission are located at the places shown against each:—

Office	Place
Palm Gur Adviser . . .	. Dahanu
Intensive Area Scheme . .	. Delhi
Village Oil Industry . . .	. Delhi
Gur & Khandsari Industry .	. Kanpur
Bee Keeping Industry . . .	. Dharwar
Cottage Match Industry . .	. Sodepur
Certification Committee . .	. Lucknow

Basis for location.

134. *It appears that these offices were located to suit the convenience of the organisers of particular industries or persons in charge of the schemes and not on any rational basis. In fact, the Chairman of the Commission admitted*

that it was so in the case of the Certification Committee and the Bee-keeping industry and after the previous organiser of the Bee Keeping Industry at Dharwar ceased to function, the new incumbent found it difficult to work there.

135. *The Committee feel that the location of offices of an organisation charged with the task of developing industries throughout the country should be decided after careful consideration of their need and on well established criteria. They hope that the matter would be re-examined from this angle.* Committee's view.

H. Information Bureau at Delhi

136. During the year 1959-60, the Commission set up an Information Bureau at Delhi. The Bureau was expected to:— Functions.

- (i) purvey information about the activities of the Commission to the Press and the public in general;
- (ii) Contact public institutions and individuals in the capital with the object of cultivating their interest in the Commission's work; and
- (iii) supply to Members of Parliament information and other details about the Commission's schemes and activities.

137. The budget of the Bureau for the year 1960-61 amounted to Rs. 37,000. The Chairman of the Commission stated that the Bureau was established at the instance of the Minister-in-charge to provide information to the Members of Parliament and to maintain liaison with the Press. But the Secretary of the Ministry was not quite sure that it had been set up at the instance of Government. The Chairman however, admitted that the Bureau had not served the purpose for which it was intended. *In the circumstances the need for its continuance requires to be examined.* Need for continuance to be examined.

I. Other Suggestions

138. *The following suggestions were discussed in the course of examination by the Committee:—*

- (i) *A few members of the Commission might be changed after a specified period so that there could be a periodical infusion of fresh blood in it;*
- (ii) *A quorum for the meetings of the Khadi and Village Industries Board might be prescribed;*

- (iii) *An upper-limit for the membership of the Khadi Board might be laid down;*
- (iv) *Some Members of Parliament who are actively associated with the development of Khadi & Village Industries may be nominated on the Khadi Board; and*
- (v) *Section 4(d) of the Khadi and Village Industries Rules requiring the Members of the Commission to disclose financial interest in any subsisting contract with or in any work being done for the Commission, might also be made applicable to the Members of the Khadi Board.*

139. *The Committee trust that it should be possible to implement the above suggestions.*

VIII

MISCELLANEOUS

A. Training

140. Planning and organising the training of persons engaged in the production of khadi and village industries is one of the functions of the Commission. It provides financial assistance to certified khadi institutions and State Boards for the purpose. It also runs departmentally four training institutions. The number of persons trained for Khadi at the institutions run by the Commission and the State Boards/Institutions is shown below:—

Departmental Institutions of the Commission.

	Run by the Commission			Run by State Boards/Institutions			Total		
	Capacity	No. trained	%age of (2) to (1)	Capacity	No. trained	%age of (5) to (4)	Capacity	No. trained	%age of (8) to (7)
	1	2	3	4	5	6	7	8	9
1957-58	420	147	35	740	599	80.9	1160	746	64.3
1958-59	390	350	89.7	1120	764	68.2	1510	1114	73.7
1959-60	400	243	60.7	1159	782	67.4	1559	1025	65.7
1960-61	400	298	74.5	980	564	57.5	1380	862	62.4

The details of the various courses of training, capacity, persons trained, etc., are shown in Appendix V.

141. *It will be seen that the courses run by the Commission and the State Boards, etc., are more or less similar.* In justification of the setting up of training institutions especially when the capacity of the institutions run by the State Boards, etc., appeared to be adequate in terms of actual needs, the Secretary of the Ministry stated that the State Boards had not all settled down as yet and they were not subordinate to the Commission. However, once the relationship between the State Boards and the Commission was properly evolved, the work relating to training could be left to the former.

Reasons.

142. *The Committee note that in each year from 1957-58 to 1960-61, the capacity of the training institutions run by the Commission and those run by the State Boards, etc., has not been fully utilised.* The training institutions of

Capacity not fully utilised.

the State Boards/Registered Institutions would have been sufficient for training all the persons including those trained at the institutions run by the Commission.

143. Both the Evaluation Committees (*viz.*, the Khadi and Village Industries) have commented on the training programme of the Commission. According to them, its training programme was not related to the requirements of trained persons. Further training facilities had been under-utilised, resulting in wastage of funds. *The Committee hope that with the implementation of the recommendations made by the Evaluation Committees, the position would improve. They would suggest that the work except specialised and higher training should be entrusted to the State Boards.*

B. Co-operation

Organisation. 144. Promotion and encouragement of co-operative efforts is one of the functions of the Commission. The work is attended to by a Director in the Central Office in close consultation with Co-operative Departments of each State. The Commission pays 50 per cent of the total expenditure, or Rs. 5,000 whichever is less, to different State Governments which have appointed Special Deputy Registrars or Deputy Directors and other essential staff for organising khadi and village industries co-operatives. It has also attached Liaison Officers (Co-op.) and co-operative organisers to different Zonal Directorates. Arrangements are also made for training suitable personnel.

Targets and achievement.

145. The year-wise targets laid down for the organisation of co-operatives for khadi and village industries *vis-a-vis* the number actually set up are shown below:—

	1958-59		1959-60		1960-61	
	Target	Achievement	Target	Achievement	Target	Achievement
Khadi	160	102	385	396	363	158
Bee-keeping	5	17	22	18	9	18
Gur & Khandsari	265	94	113	119	117	169
Handmade paper	20	18	30	26	28	20
Paddy De-husking	80	230	157	399	491	403
Village Oil	834	969	825	766	689	606
Palm Gur	103	71	71	87	87	63
Village Pottery	40	162	139	235	141	262
Soap	26	79	83	76	182	78
Leather	200	482	320	529	317	504
Cottage Match	NF	2	..	2	..	..
Fibre	NF	16	6	30	11	44
Blacksmithy & carpentry	NF	40	2	111	..	96
	1733	2282	2153	2794	2435	2421

NOTE : NF not fixed.

146. The classification of co-operatives according to their functions is not available with the Commission. It has been stated that among other things progress in the setting up of khadi co-operatives mainly depends on the agreement by the registered institutions to 'co-operativise' their decentralised units. *It would thus appear that only existing units are being decentralised and registered as co-operatives. The real progress in this matter can only be judged by the number of new co-operatives organised and actually working. The Committee suggest that a review of the working of co-operatives may be undertaken with this end in view. It would also be desirable if the number of co-operatives organised and those actually operating is indicated in the annual reports of the Commission.*

C. Employment

147. One of the important objectives in the development of khadi and village industries, is the provision of part-time and full-time employment in the rural areas. Details of employment stated to have been provided as a result of the activities of the erstwhile Board and the Khadi Commission during the period of the 2nd Plan are shown below.—

	Full-time	Part-time
	(Lakh persons)	
Khadi	0·81	16·43
Village Industries	0·72	6·06
	1·53	22·49

The break-up of figures of employment, industry-wise is given in Appendix VI.

148. *The back-log of employment at the end of the 2nd Plan is estimated to be 9 million and the under-employment is believed to be of the order of 15—18 million. Against this the activities of the Khadi Commission are stated to have provided employment to 1.53 lakh (full-time) and 22.49 lakh (part-time).*

149. The Commission has stated that the provision of fuller employment to the under-employed and employment to the unemployed was a long-term objective and could be realised only over a considerable period of time. It had made substantial progress towards providing fuller employment to those of the artisans engaged in the village industries within its purview. But this had necessarily to be small because the Commission was still in the process of organising and extending its programme to newer areas.

150. In this connection the Committee recently appointed by the Khadi Commission to suggest a single authority for rural development observed as follows:—

“... It is the Khadi Commission which has its programme largely in the rural areas. But unfortunately partly because of the restricted programme and partly because of the low productivity of the industries under this programme it has given only temporary relief to the artisans and certain social sections in the rural areas”.

The Study Group on the Welfare of the Weaker Sections of the Community (1961) also supported the above view in following terms:—

“... The total effect upon the countryside of 14 years of industrial development since Swaraj and 10 years of planning has almost been negligible both from the point of view of (a) creating employment, (b) adding to the wealth of the rural communities, and raising the standard of living, particularly of the economically and socially backward sections that make up the bulk of the rural population.”

151. *The Secretary of the Ministry stated during evidence that the impact of village industries on rural population had not been as great as that of the large-scale industries. The latter had drawn away from villages the population that could not be sustained by land, thus relieving the depression in the standard of living, which would have otherwise arisen.*

Earnings of
artisans.

152. The annual income of the spinners (excluding skilled) on the traditional charkha ranges between Rs. 20 to Rs. 25 and of an average spinner on the Ambar Charkha between Rs. 50 and Rs. 60. The average income of a weaver is stated to be Rs. 35 to Rs. 65 per month. *No survey is stated to have been made regarding the earnings of the workers engaged in village industries in different States. The average earnings based on the reports available with the Commission are, however, shown in Appendix VII.*

153. The Commission has stated that, judged by the low per capita income of agricultural labour, the income of khadi weavers could be considered to be satisfactory. *The Committee, however, feel that the present earnings of the workers engaged in khadi and village industries are low when compared with other occupations. They hope that a purposeful orientation of the programme of work and introduction of improved equipment, technique and methods of production would, besides enlarging employment opportunities, result in*

proportionate increase in wages so as to attract surplus agricultural labour to take to these avocations.

D. Annual Reports of the Commission

154. Rule 32 of the Khadi and Village Industries Commission Rules, 1957 provides that the annual reports to be submitted by the Commission to Government under Section 24(2) of the Act regarding its activities shall be in such form as the Central Government may, from time to time, direct and shall contain particulars, among others, in respect of the following items:—

(i) Form of Reports.

- (i) Budget provision and expenditure;
- (ii) Production and sale of khadi, both traditional and ambar;
- (iii) Production and sale of products of the village industries;
- (iv) Production of charkhas and other implements;
- (v) Employment statistics of each industry; and
- (vi) training of personnel.

155. Section 24(2) of the Khadi & Village Industries Commission Act, 1956 provides that the report shall also give a true and full account of the activities, policy and programme of the Commission during the previous financial year.

156. The Committee understand that Government have not so far laid down any form for the presentation of the annual reports of the Commission. The budget of the Commission as required under Section 24(2) of the Act is also not published in its reports. *The Committee have suggested at appropriate places what additional information should be given in its annual reports so as to make them more informative and useful. Among other items, the Reports should clearly indicate the physical and the financial programme, achievements in relation to the programme and the prescribed objectives and functions of the Commission. The Committee trust that Government would prescribe the form of Reports as early as possible, taking into consideration the various suggestions made by them.*

Form not laid down.

157. The Commission is required to submit to the Government its annual report by the end of September each year, and a financial report by the end of October following the close of the financial year. Extension of time is obtained if it is not possible to complete it within the prescribed time-limit. *No such time-limit has, however, been fixed for the*

(ii) Delay in submission of Reports.

presentation of the Annual Reports and Accounts to Parliament. The Annual Report of the Commission for the year 1959-60 was laid on the Table of the Lok Sabha on 16th March, 1961 and the Report for 1960-61 has not been presented as yet. Thus there has been a time-lag of more than 11 months in presenting the annual reports. That annual reports of all Public Undertakings should be presented to Parliament before the presentation of general budget for the following year has been stressed in para 22 of the 73rd Report of the Committee (Second Lok Sabha). They hope that a start in this direction would be made from the next year.

(iii) Annual Accounts.

158. At present, the audited accounts of the Commission are not included in its annual reports but are placed before Parliament by including them in the Appropriation Accounts of the Central Government. It was explained that as the two reports (annual reports and financial reports) were sent to Government at different times, it had not so far been possible for the Commission to include the annual accounts in its Annual Reports. *The Committee, however, feel that it would be advantageous to include the audited accounts in the annual reports so that a full picture of the working of the Commission is available at one place. They hope that a beginning would be made in this regard from the next year.*

E. Statistics

Economic Research Section.

159. For the collection and compilation of the data about the work carried out under its different schemes, the Commission has organised an Economic Research Section in its Central Office. Proformae have been prescribed for submission of periodic reports by the various assisted agencies. In regard to khadi industry, the institutions forward monthly reports in the prescribed proformae. So far as village industries are concerned, the Directors of Industry arrange for the collection of various details through their respective supervisory, technical and other personnel and forward a comprehensive report to the Economic Research Section.

Difficulty in collecting statistics.

160. The Committee, however, note that the registered institutions/co-operatives engaged in village industries are not submitting their reports. Asked about the reasons, it was stated that it was not possible to collect complete reports directly from all assisted institutions. The co-operatives/registered institutions were small and were managed by persons not quite conversant with either the collection or the preparation or the value of statistical information. Many of them did not maintain records from which complete statistical information could easily be collected. The Committee also note that the Commission does not insist on the supply of complete statistical data regarding production, sale and financial

position of applicant institutions before granting them further financial assistance.

161. The two Evaluation Committees which recently went into the working of the Commission have also referred to the non-availability of basic statistics and stressed the need for strengthening the Economic Research Section of the Commission. The Committee, however, regret to note that the position has not improved as yet. For instance, the Commission was not in a position to indicate the number of Bhandars sanctioned or located in areas with a population of 10,000 and below. Details regarding functional classification of co-operatives were also not available with it.

Observations of Evaluation Committees.

162. The necessity for complete statistical information needs no emphasis. It is vital for a continual appraisal of the implementation of the Commission's schemes in both financial and physical terms, as also for making necessary adjustments in both current and perspective plans. The Committee trust that the Commission would take suitable measures to improve the position in this regard.

NEW DELHI;
March 26, 1962.
Chaitra 5, 1884 (S).

H. C. DASAPPA,
Chairman,
Estimates Committee.

APPENDIX I

(Vide para 53)

Prescribed limits for Financial Assistance to Individual authority or body in connection with the schemes of Village Industries (other than Khadi)

S. No.	Name of the Scheme	Item to be given to individual	Ceiling of the amount required to be sanctioned for allocation to individual		
			Grant Rs.	Loan Rs.	Working Capital Rs.
1	2	3	4	5	6
1.	Beekeeping	(i) For Beekeeping units (Hives and other equipments etc.)	500	250	500
2.	H.P. of Paddy	Supply of equipments such as stone-chakkis, Emery sheller, Dhankis, Wooden Chakki, Atta Chakki, Pestles, mortars ball-bearing etc. . . .	500	500	1000
3.	Village Oil	(i) For units of improved ghanis	500	500	1000
		(ii) Ghani Sheds for ghani units	500	500	Nil
		(iii) Conversion of traditional ghani into improved ghani 50% of the cost as grant and 50% loan. . . .	100	100	Nil
4.	Gur & Khand-sari	(i) Supply of equipment for Gur and Khandsari			

1	2	3	4	5	6
		units which would include the following :			
		(a) Crushers	1,500	1,500	1,000
		(b) Centrifugals			
		(c) Pans			
		(d) Juice clarificants			
		(e) Cube frames			
		(f) Grates			
		(g) Drums			
		(h) Perculators			
		(i) Moulds, and other minor implements.			
5. Handmade Paper.	Home Units	Cost of machinery and equipment for Handmade Paper Units, grant, loan and working capital. .	4,000	4,000	5,000
6. Village Pottery	Supply of following improved implements at 50 % of the cost as grant and 50 % as loan.	(a) Improved wheels	650	650	1,000
		(b) Sets of moulds for pipes, tiles etc.			
		(c) Fire-proof Bhatti shet			
		(d) Screw press with moulds for roofing tiles, flooring tiles etc.			
7. Soap.	Oil crushing unit.	(i) Cost of equipment, 50 % grant and 50 % loan plus working capital.	5,250	5,250	5,000
		(ii) Cost of soapary unit, 50 % grant and 50 % loan and working capital.			
8. Leather Industry	(i) Grant and loan for construction of new pits		500	500	500
	(ii) Grant and loan for repairs to old pits plus working capital for above units.		200	100	500

I	2	3	4	5	6	
		(iii) Assistance to individual cobbler for purchase of tools, equipments and raw materials as grant, loan and working capital.		500	500	500
		(iv) Assistance to individual Tanner for purchase of tools, equipments and raw materials as grant, loan and working capital.		750	750	1,000

APPENDIX II

(Vide para 56)

Terms and conditions governing the grant of loans by the Khadi and Village Industries Commission.

Purpose for which loan is sanctioned	Tenure	Rate of interest	Mode of repayment
1	2	3	4
(i) Loan for working capital.	5 (five) years	Free of interest for the first two years and thereafter interest @ 2-1/2% on the amounts remaining unpaid at the end of the second and subsequent years.	Not less than 30% is to be repaid at the end of the third year ; another 30% at the end of the 4th year and the balance 40% at the end of the 5th year.
(ii) Loan for stocking purposes.	18 (eighteen) months	Free of interest	75% of the loan to be repaid at the end of 12 months and the balance at the end of 18 months.
(iii) Loan for Pucca structure	10 (ten) years	Free of interest	Loan should be repaid in 9 equal annual instalments, the first instalment being due at the end of the second year.
(iv) Loan for Kutcha structure.	5 (five) years	Free of interest	Loan should be repaid in four equal annual instalments, the first instalment being due at the end of the second year.
(v) Loan for implements	5 (five) years	Free of interest	Loan should be repaid in four equal annual instalments, the first instalment being due at the end of the second year,

1	2	3	4
(vi) Loan for machinery.	10 (ten) years	Free of interest	Loan should be repaid in nine equal annual instalments the first instalment being due at the end of the second year.

N.B.—Further loans, on the basis of the progress of work may be granted by the Commission.

APPENDIX III

(Vide Para 115)

Composition of the Khadi and Village Industries Board

(as constituted on 1st April 1960)

Names of members

1. Shri V. L. Mehta
 2. Shri A. W. Sahasrabudhe
 3. Shri P. S. Kapadia
 4. Shri D. P. Sahu
 5. Shri K. Arunachalam
 6. Shri D. V. Lele
 7. Shri R. Srinivasan
 8. Shri G. Venkatachalapathy
 9. Shri V. N. Sharma
 10. Shri Jhaverbhai P. Patel
 11. Shri V. V. Jerajani
 12. Shri A. P. Choudhary
 13. Shri Satish Chandra Das Gupta
 14. Shri R. S. Hukerikar
 15. Dr. Gopichand Bhargava
 16. Shri Akshaya Kumar Karan
 17. Shri P. V. Narasimha Rao
 18. Shri K. P. Divakaran Karta
 19. Shri Krishnadas Gandhi
 20. Shri U. N. Dhebar
 21. Shri N. R. Sowani
 22. Shri R. K. Patil
 23. Shri Gokulbhai Bhatt
 24. Smt. Amalprabha Das
 25. Shri T. S. Gokhale
 26. Shri Naba Krishna Choudhari [Appointed w.e.f. 26-8-1961]
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APPENDIX IV

(Vide Para 120)

KHADI AND VILLAGE INDUSTRIES COMMISSION

No. 8/1/MS/60-61.

MISTRY BHAVAN,
DINSHAW WACHA ROAD,
BOMBAY-1.

4th February, 1961.

OFFICE ORDER

The Khadi and Village Industries Commission at its meeting held on 30th December, 1960 adopted the following resolution regarding delegation of powers to the Member Secretary of the Commission.

"Resolution No. (91): In pursuance of Section 14(1) of the Khadi and Village Industries Commission Act, 1956, read with Rule 11 of the Khadi and Village Industries Commission Rules 1957 and in amplification of Commission's Resolution No. 14 of 23rd May, 1960 it is hereby resolved that the following powers and duties are hereby delegated and shall also be deemed to have been delegated by the Chairman of the Commission to the Member Secretary of the Commission, subject to such changes as the Chairman may deem fit to make from time to time :—

- (1) to convene meetings of the Commission under the directions of the Chairman ;
- (2) to draw up the agenda for meetings under the Chairman's directions and supply the same to members of the Commission alongwith the notice of the meetings ;
- (3) to maintain the minutes of meetings of the Commission ;
- (4) to furnish to Government all reports including annual reports and returns and necessary documents required under the Act or the Rules ;
- (5) to prepare the annual budget of the Commission in consultation with the Financial Adviser ;
- (6) to cause important papers and matters to be presented to the Commission as early as practicable ;
- (7) to issue directions as to the method of carrying out the decisions of the Commission ;
- (8) to maintain or cause to be maintained an account of the receipts and expenditure of the Commission ;
- (9) to present a draft annual report of the working of the Commission to the Commission for approval and to circulate the report approved by the Commission to the members of the Board for their information ;

- (10) to empower the Chief Executive Officer in emergency to incur expenditure not covered by authority vested in him on contingencies, supplies and services and purchase of articles required for the working of the office of the Commission and its sub-offices subject to necessary provision in the Budget and to ratification by the Commission;
- (11) to empower the Chief Executive Officer in emergency to sanction grants or loans for the execution of developmental measures and schemes in furtherance of the objects of the Act, subject to the restrictions imposed by the Act and Rules in that behalf and to necessary provision in the Budget and to ratification by the Commission ;
- (12) to authorise the Chief Executive Officer to invest funds in the manner provided for in the Act and to report such investments •to the Commission ; and
- (13) to exercise general supervision over the administration of the Commission.

This is circulated for the information of all the Officers and Sections including out station offices.

(B. P. UMARJI)
Deputy Chief Executive Officer.

APPENDIX V

(Vide Para 140)

Details of the Training Institutions managed by the Commission Directly or helped by it financially from 1957-58 to 1960-61
[Expenditure Rs. lakhs]

Khadi

Course	1957-58			1958-59			1959-60			1960-61			TOTAL
	Capacity	No. trained	Expenditure	Capacity	No. trained	Expenditure	Capacity	No. trained	Expenditure	Capacity	No. trained	Expenditure	
t. Departmental run training institutions													
(a) Adhyapan Visharad	40	..	2.86	40	34	2.23	..	..	3.56	..	..	2.15	34
(b) Karyakarta	80	53		50	53		50	..		100	90		196
(c) Gram Sahayak	..	..		..	..		..	..		..	15		15
(d) Extension Officers(Ind)	300	94		300	263		350	243		250	193		793
(e) Training of Instructors, Organisers and Assistant Organisers	..	..	147	..	..	350	..	..	..	50	36*	2.15	36*
TOTAL (t)	..	147		..	350		..	243		..	298		1038
a. Training institutions run by State Boards or the institutions													
(a) Extn. Officers (Industries)	300	164	3.09	300	339	2.81	300	254	2.75	200	149	2.08	906
(b) Karyakarta	400	367	2.53	680	425	4.91	679	408	6.85	600	299†	3.20	1499
(c) Short-term	40	88	0.26	..	..	..	..	..	..	..	..	..	68
(d) Gram sahayak	..	..	..	40	..	2.18	180	120	1.45	180	116	2.18	236
TOTAL (a)	..	599	5.88	..	764	9.90	..	782	11.05	..	564†	7.46	2709
TOTAL (2)	..	..	..	..	..	..	..	..	..	..	..	..	34.29

*Under training.

†Besides this, 232 are under training

APPENDIX VI

(Vide Para 147)

Statement showing the employment provided as a result of the activities of the erstwhile Board/Khadi Commission during the period of the Second Plan.

Industry	Employment (Lakh persons) 1960-61	
	Full-time	Part-time
A. KHADI		
(i) Traditional	0.54	12.42
(ii) Ambar	0.27	4.01
TOTAL (A)	0.81	16.43
B. Village Industries		
(i) Processing of Cereals & Pulses	0.18	0.29
(ii) Village Oil'	0.34	0.17
(iii) Village Leather'	0.04	0.03
(iv) Cottage Match'	10,016†	..
(v) Gur & Khandsari	..	1.62
(vi) Palm Gur	..	3.26
(vii) Non-edible Oil & Soap.	0.02	0.16
(viii) Handmade Paper	0.04	0.02
(ix) Bee-keeping	0.01	0.42
(x) Village Pottery	0.09	0.06
(xi) Fibre	..	0.03
(xii) Carpentry & Blacksmithy.	*	..
TOTAL (B)	0.72	6.06
TOTAL (A) plus (B)	1.53	22.49

†In man days.

*Less than 500 persons.

APPENDIX VII

(Vide para 152)

Statement showing the average per capita income of workers engaged in khadi and village industries.

Industry	Average per capita income (Rs.)
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1. Khadi (i) Spinners	
(a) Traditional .	Rs. 20 to Rs. 25 per annum.
(b) Ambar .	Rs. 50 to Rs. 60 per annum.
(ii) Weavers .	Rs. 35 to Rs. 65 per month.
2. Processing of Cereals and Pulses .	Rs. 18 per month.
3. Village Oil Telis. .	Rs. 30 to Rs. 90 per month.
4. Village Leather	
(i) Flaying Centre. .	Rs. 30 to Rs. 35 per month.
(ii) Bone crushing units	Rs. 25 to Rs. 30 per month.
(iii) Model Tanneries	Rs. 45 to Rs. 50 per month.
5. Gur and Khandsari	
(i) Skilled jobs .	Rs. 60 to Rs. 90 per month.
(ii) Seasonal earnings .	Rs. 250 to Rs. 350 per annum.
6. Palm Gur Tappers who take trees on lease .	Rs. 300 to Rs. 360 per annum
	Depending on the variety of palms, duration of the season and the State in which they occur.
7. Non-edible Oils and Soap	
(i) Teli (Skilled) .	Rs. 25 to Rs. 50 per month.

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(ii) Skilled artisans at the production centres	Rs. 35 to Rs. 45 per month.
(iii) Seasonal earnings in seed collection	Rs. 120 to Rs. 250 per season (3 to 8 weeks)
8. Handmade Paper Sikled worker	Rs. 35 to Rs. 75 per month. (Net wages exclusive of contribution to the provident fund, State Insurance etc.)
9. Village Pottery In traditional (i) utensils and utility products	Rs. 12 to Rs. 18 per month.
(ii) Artistic or glazed wares	Rs. 25 to Rs. 60 per month.

APPENDIX VIII

Statement showing the summary of Conclusions/Recommendations of the Estimates Committee contained in the Report.

Sl. No.	Reference to Para No. in the Report	Summary of Conclusions/Recommendations
1	2	3
1	7—11	The Committee do not consider that the Intensive Area Scheme and Gram Ekai Programme fall within the province of the Commission. While the Committee appreciate the Commission's anxiety to carry on with these activities, they feel that specific and prior approval of Parliament by way of amendment of the Act should have been taken before embarking upon activities not specifically covered by the Act and more so when they involve financial commitments. The Ministry would have done well to be more vigilant in the matter and directed the Commission well in time against undertaking activities not legitimately covered by the Act.
2	17—19	The Committee are surprised to see the various changes made or sought to be made in the organisational set up for the development of Khadi and Village Industries. It will be seen that initially a Board was set up in 1953 for the purpose. Within four years, the Board was replaced by a Statutory Commission in 1957. Hardly another period of 4 years has elapsed before another statutory body in the shape of Rural Industrialisation Commission is being projected. The exact picture of this new proposal has not yet emerged. But the purpose of it seems to be that the multiplicity of organisations working towards the same end, namely the development of village industries, should be avoided and it should be made possible for Gram Ekai programme to be included in its functions. Before even the framework of this new proposal has been worked out, further difficulties have been encountered.
		It is difficult to understand how by the mere transformation of the Khadi and Village Industries Commission into Rural Industrialisation Commission, the all-comprehensive activities under Gram Ekai programme could be taken up by the Rural Industrialisation Commission. The Committee are of opinion that the constitution of Rural Industrialisation Commission

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and merging of Khadi Commission in it, is not going to solve the problem. Rather, it may give rise to more problems. In the first place, any Industrialisation Commission cannot take up activities of 'Samagra Seva' character which Gram Ekai purports to do. It can only be by an organisation such as Rural Development Commission—a nomenclature with which the Secretary of the Ministry agreed. Secondly, there are other agencies such as the Community Development Administration, Handloom Board, Handicrafts Board, the Small Scale Industries Board, the Social Welfare Board, the Bharat Sevak Samaj etc. whose activities may necessarily impinge on the activities of the proposed organisation, whether it is called the Rural Industrialisation Commission or even the Rural Development Commission. What relationship would subsist between the existing various bodies and the proposed Commission and how overlapping of functions between them is sought to be avoided is not clear. While the Committee are of opinion that multiplicity of organisations and overlapping of functions should be avoided, they suggest that before any proposal for the constitution of Rural Industrialisation Commission is considered, a thorough enquiry must be undertaken by a Committee, consisting of the representatives of all the bodies that are going to be affected by the proposal, including those of the States. There need be no hurry in the matter. What is wanted is a comprehensive examination of all aspects of the question before a final shape is given to the new organisation.

- 3 21—23 Out of the total disbursements of over Rs. 22 crores made to the State Boards, utilisation certificates had been received for Rs. 1.47 crores only. The Committee are not able to appreciate how in the absence of certificates for past disbursements, the Commission could satisfy itself about the proper and purposeful utilisation of the funds. Compliance with the rules, which require that utilisation certificates should be furnished for all grants/loans advanced by Government, should have been insisted upon in these cases and further disbursements discontinued in case of defaulters. A continuous review of the position regarding outstanding utilisation certificates before making further disbursements would have helped in the matter. The Committee hope that all outstanding utilisation certificates would be obtained at a very early date. They also suggest that with a view to acquaint Parliament, which votes funds, the precise

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position regarding utilisation certificates may in future be stated in the Annual Reports and Accounts of the Commission.

- 4 24—25 The Commission was of the view that its responsibility for submission of utilisation certificates to the Government of India in respect of the funds received by it should be deemed to have been fulfilled if the Commission satisfied itself that the funds given to the State Boards were disbursed by them to the institutions for the intended purposes. Further accountability in respect of the actual utilisation of funds should be made the responsibility of the State Board concerned, and the exercise of that responsibility should be scrutinised by the audit authority concerned. The Financial Adviser of the Ministry, however, informed the Committee during evidence that it was no solution to the problem as utilisation certificates had to be produced by the authority which disbursed the funds. He was, therefore, doubtful whether the Comptroller & Auditor General would accept the suggestion of the Commission. The Committee are inclined to agree with the views of the Financial Adviser.
- 5 26—28 The Committee find that about 50% of the total disbursements are made by the Commission in the last quarter of a year. Of these, about 50% are made in the month of March. Rush of disbursements in the last quarter, besides imposing a severe strain on the organisation of the Commission, is fraught with the risk of funds being released without proper scrutiny, resulting in irregularities and infructuous and nugatory expenditure. Effective and specific measures should, therefore, be devised to avoid rush of expenditure and to ensure that the disbursements during the year are evenly spread out.
- 6 30—31 It would be seen that the activities of the Commission are mainly concentrated in the States of Bihar, Bombay and Uttar Pradesh which among themselves account for 47 % of the total disbursements during the Second Plan. The efforts of the Commission to develop Khadi & Village Industries in the various States particularly the States of Assam, Orissa and West Bengal do not appear to bear any relation either to the rural population in these States or to the incidence of unemployment therein. The Committee feel that a central developmental organisation like the Khadi & Village Industries Commission should devote special efforts to encourage and assist under-developed areas having a large rural under-employed and un-employed population. They hope

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that the Commission would bear the above considerations in view while allocating funds to the different States in future.

- 7 32 The proportion between grants and loans disbursed to the various States during the Second Plan differs widely from State to State. Thus, for instance in Bihar the loans are $2\frac{1}{2}$ times the amount of grants, while in Bombay loans are little less than the amount of grants. In Delhi, the grants are twice the amount of loans and in Jammu & Kashmir they are one and a half times thereof. The Committee consider it desirable that the proportion between grants and loans to the various States should be broadly laid down. In case there are special considerations necessitating larger grants to a particular State, the reasons therefor should be indicated in the annual reports of the Commission.
- 8 33—35 The Commission grants financial assistance directly to some institutions while it deals with others through the State Boards. Out of Rs. 82·69 crores disbursed during the period of the Second Plan, Rs. 42·43 crores (*i.e.* over 50%) were disbursed by the Commission directly. What ever might have been the justification for the Commission to deal with certain institutions directly in the initial stages, this position cannot obviously be continued for long, because the programme of the Commission has to be progressively implemented through the State Boards. The emphasis should, therefore, be to create conditions in which mutual trust between the Institutions and the State Boards could be established and the State Boards could take the place of the Commission in their respective areas. The Committee recommend that the Commission should route all its financial assistance through the State Boards, which, no doubt, are in a better position to judge the suitability of an institution for assistance.
- 9 38 The Committee recommend that effective measures should be taken to recover the outstanding loans as also to ensure timely recovery of the loans falling due in future. One way of doing so would be to allow some margin of profit to the Institutions/Co-operatives engaged in Khadi & Village Industries instead of expecting them to run on 'no-profit no-loss' basis as at present. The Committee hope that this matter would receive due attention.

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10	42	The Committee feel that the financial assistance for non-recurring expenditure should consist mainly of long-term loans and the grant portion may be reduced to 25%. The institutions should also be required to invest a portion of the funds since they cannot normally be expected to take a keen interest in the success of a venture unless they have a direct stake in it in the form of their own capital. This is evident by the fact that a majority of the institutions, as pointed out in para 108 had not started operations and the amount advanced to them had to be recovered from them. The Committee suggest that the matter may be reviewed.
11	44	The Committee find that Handicraft Cooperatives are given 75% of their share capital as a two-year loan, 75% of working capital as a two-year loan and 50% of recurring expenditure on special supervisory Co-operative Staff as grant for 3 years whereas Khadi & Village Industries Cooperatives are given loans to the extent of 87.5% of the share value besides management grants for 4 years on the scale indicated in para 43. It would be desirable to have uniformity in the pattern of assistance offered by Government to similar institutions. Further the management grant should be gradually reduced. The Chairman of the Commission considered that this was possible.
12	45	All expenditure connected with training is provided as grant by the Commission. The Committee feel that the feasibility of the institutions, which depute the trainees, bearing a portion of the training expenditure may be examined. This would not only ensure the absorption of trainees by those institutions but also act as a check against trained persons remaining idle after completion of their training.
13	52	The Committee agree that marketing is one of the main problems of khadi and with the increased production contemplated in the Third Five Year Plan, marketing arrangements will have to be augmented considerably. They, however, feel that the assistance offered to Sale Bhandars is on a fairly liberal scale. This was admitted by the Chairman of the Commission during evidence. The Committee, therefore, suggest that a review of the present scale of assistance (both recurring and non-recurring) should be carried out. It should be ensured that while the assistance is related to the actual turnover of the Bhandars it provides sufficient incentive to increase the sales.

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It might also be examined whether the initial non-recurring expenditure could be met by granting long-term loans.

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| 14 | 54 | The Committee feel that since it would be difficult for the Commission to keep a watch over the utilisation of assistance granted to individuals and its recovery would present great difficulties, such assistance, if considered necessary, might be granted by the respective State Boards. |
| 15 | 55 | The pattern of assistance offered under the various schemes, though evolved as far back as 1953, has not been subjected to any review regarding its scale, continuance and utilisation. It is hardly necessary to emphasise the need for such a review. The Committee recommend that Government might appoint a Committee to carry out a review of the pattern of assistance, which should also take into account the assistance offered by other agencies for similar developmental activities. |
| 16 | 56 | While the Commission grants interest-free loans for various purposes, it charges concessional rate of interest on loans for working capital. The difference between the interest recovered by it and that due to Government is paid by the latter as a direct subsidy. The Committee feel that with a view to reflect the actual extent of concessions granted by the Commission to the various parties, it would be desirable if the normal rates of interest on loans are first charged and concessions, if any, are given by way of subsidy which should be shown separately. The Financial Adviser of the Ministry agreed that this could be done. The Committee recommend that necessary action may be taken in this regard. |
| 17 | 57 | The Committee do not consider advance payment of rebate and subsidy as proper—a view with which the Financial Adviser agreed. They suggest that the matter may be examined with a view to stop this practice. At the same time it should be ensured that the procedure for the payment of claims is simplified and the claims are dealt with expeditiously. |
| 18 | 59 | The Committee hope that a statement showing the action taken on the recommendations of the Khadi |
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Evaluation Committee would be placed on the Table of the House early as it is already eighteen months since the report was presented.

- 19 64 It would be seen that the Ambar project had not been properly planned. It appears that in the enthusiasm for pushing forward the programme, the basic requisites for its successful functioning were not ensured. Charkhas were allowed to be manufactured and distributed although they were defective. Adequate repair and servicing arrangements had also not been made. Charkhas had been distributed to artisans who were not fully trained for the job. The Committee hope that more energetic steps would now be taken to over come the shortcomings in the Ambar programme and also to activate the idle charkhas already distributed.
- 20 68 Khadi worth Rs. 789·25 lakhs remained unsold on 31-3-61. The Committee trust that in future suitable measures would be taken in time to prevent the accumulation of khadi, especially because with the progressive improvement in Ambar charkha the problem of finding a market for khadi is likely to become acute.
- 21 70 The Committee note that the output of Khadi per rupee worth of outlay has declined from Re. 0·70 in 1957-58 to Re. 0·44 in 1960-61. While the decline in output might be attributed to idle Ambar charkhas during the latter part of the Second Plan, the Committee suggest that the output of khadi and village industries should be constantly studied with reference to the outlay so that timely action could be taken to remove the drawbacks in the implementation of the programme, if any.
- 22 71-72 The Committee note that 122 production centres were directly organised by the All India Khadi & Village Industries Board in Andhra Pradesh, Kashmir, Bengal and Assam and have been continued by the Commission. Even in 1953, State Boards were functioning in the States of West Bengal, Assam and Hyderabad. In these States at least there was no clear justification for the Board and later the Commission for participating directly in implementation of the programme, as they were intended for preparing and organising programmes and not for executing them. In pursuance of its policy to hand over production centres to the respective State Boards as and when arrangements are ready for such transfers, the Commission has since decided to transfer its production centres in Andhra to the Andhra State Board. Negotiations are also being carried on for handing over its operations in the

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Calcutta region to the West Bengal State Board. The Committee urge that similar action should be taken at an early date with regard to its activities in the other States.

- 23 74-75 It would be seen that the expenditure on khadi is concentrated in Uttar Pradesh, Bihar and Bombay, being 18.4%, 16.9% and 13.4% respectively of the total expenditure. Further, while the production of khadi in these areas works out to 23.5%, 16.3% and 3.4% respectively of the total khadi production, the cotton grown in these areas accounts for 1.7%, 0.3% and 39.9% respectively of the total cotton production in the country. There is thus no relation between the expenditure on khadi and the availability of cotton in these areas. The price differential between khadi and mill cloth varies between 10 annas and Rs. 2 per yard, which is large enough to create a consumer preference in favour of non-khadi cloth. As such the Commission has to aim constantly at reducing the price of khadi. They hope that the Commission would take necessary action in the matter and that the price of khadi would be brought down.
- 24 76-77 Five big khadi and gramodyog bhavans were started by the Commission one each in Bombay, Delhi, Madras, Calcutta and Bangalore for the sale of Khadi & Village Industries products. The management of the Bombay Emporium has recently been transferred to the Bombay Suburban Village Industries Association. The Committee would like the Commission to adopt a consistent policy with regard to the management of these Bhavans. If the policy is to transfer this responsibility to other agencies, action should be taken in furtherance of that objective.
- 25 78 The Committee understand that the Commission has not carried out any survey of the areas favourable for the development of khadi. On the basis of experience, the Commission was stated to be aware of the areas where khadi could be developed. An area-wise survey is the pre-requisite of planned development of any industry. The Committee suggest that a comprehensive survey of the possibilities of developing khadi in various States with reference to the availability of raw materials and other facilities, incidence of unemployment etc. be made and completed within a specified time.
- 26 81 The question of reservation of certain categories of cloth of lower counts for khadi seem to be a moot

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point. A Committee is stated to be going into the matter. The Committee trust that the feasibility of such a reservation would be examined by that Committee.

- 27 82 The Committee feel that by the mechanisation of preparatory processes which are being experimented upon and perfected, it would be possible to produce more uniform and better quality of cloth.
- 28 86 The Committee note from the Third Five Year Plan that one of the main objectives to be kept in view in implementing the programmes for village and small industries is "to reduce progressively the role of subsidies, sales rebates and sheltered markets". This is an objective which, the Committee hope, would be constantly borne in mind by the Commission.
- 29 89 It is hoped that a statement showing the action taken on the recommendations of the Village Industries Evaluation Committee would be placed before Parliament.
- 30 90 No systematic survey of the possibilities of developing village industries in each State has been made by the Commission so far. The Committee consider it very necessary that regional surveys of resources and needs are carried out in the very beginning so that the programme could be properly shaped and oriented in areas where favourable conditions existed for their development. In para 78 the Committee have already suggested a survey in regard to Khadi. They suggest that a similar survey of the possibilities of developing village industries in the various States may also be taken up at an early date.
- 31 92 It would be seen that the percentage of disbursement for village industries in States like Bombay, Bihar, U.P., Andhra and Madras is comparatively high. It appears that there were no criteria for the distribution of funds to the various States in this regard. The Committee feel that some broad principles *e.g.*, population, backwardness of the area, availability of raw materials etc. may be laid down to determine the extent of financial assistance to be given by the Commission.
- 32 94-95 The Committee were informed that no State-wise targets under any village industry had been fixed for the Second Plan. They note that in the Second

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Five Year Plan, an allocation of Rs. 16.33 crores was made for the development of Village Industries. As such the tentative plan of the Commission should have been revised in relation to the allocation actually made. The Five Year Plans are intended to focus attention on achieving clearly defined objectives for which the resources and energies are to be mobilised. Annual targets of performance to be achieved by the Commission in relation to the funds allocated should be fixed and the achievements appraised against them. The Committee hope that at least in future Government would insist on the preparation of proper Plans by such bodies and would watch their performance against the objectives at the time of allotting further funds.

- 33 96 The Commission has appointed separate organisers for edible oil and non-edible oil and soap industries. The Committee feel that some economy could be achieved if allied industries were placed under one organiser. They hope that the Commission would re-examine this matter.
- 34 97 The Committee further suggest that integration of organisations for the Gur and Khandsari and Palm Gur Industries might also be considered.
- 35 99 It is seen that most of the activities of the Commission and the Oilseeds Committee are common. Popularisation of Wardha Ghanis which is one of the important activities of the Commission is also the concern of the Oilseeds Committee. The Committee have earlier referred to the need for avoiding duplication between the various organisations engaged in similar activities. It would be desirable if the development of village oil industry is entrusted to one body only. The Committee recommend that the matter may be examined with this end in view.
- 36 100 The Committee find that traditional *telis* (oilmen) are not impressed with the efficiency of improved Wardha Ghanis which are distributed by the Commission. The extraction of oil in both types of ghanis (traditional and Wardha) is stated to be more or less the same and the annual repair cost per improved ghani is nearly 50% higher than that required for a traditional one and, even at the subsidised rate of Rs. 150 per improved ghani, the cost of it is nearly twice as much as the price of the traditional one. It was also reported that in certain places oil produced by small expellers

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was sold as ghani oil, thereby evading excise duty on mill oil. The Committee trust that the Commission would look into these matters.

- 37 101 The Committee understand that the work relating to the Gur and Khandsari Industry has recently been transferred from the Ministry of Commerce and Industry to the Ministry of Food and Agriculture. Government considered that the Commission could more appropriately deal with the latter Ministry in regard to technical and advisory aspects of Gur and Khandsari Industry. The administrative and budgetary control, however, continues to be exercised by the Ministry of Commerce and Industry. The Committee feel that, on the same analogy, the feasibility of transferring the work relating to industries like processing of cereals, Village Oil and Bee-keeping to the Ministry of Food and Agriculture may be considered.
- 38 102-103 The Second Five Year Plan of the erstwhile Khadi Board envisaged that there would be a phased transfer of paddy processed by mills to the hand-pounding industry resulting in the gradual elimination of rice mills over a five year period. The Committee regret to observe that the capacity of hand-pounding industry was not realistically assessed and was far overrated and that hopes entertained about elimination of rice mills over a period of 5 years were not capable of being realised. The Secretary of the Ministry had misgivings about it and held that it was not possible of realisation. The Committee desire that in such matters programmes and plans should be drawn up in consultation and coordination with the State Governments/State Boards after full appreciation of the practical difficulties regarding their fulfilment.
- 39 104—106 The primary object of developing non-edible oil and soap industry was to find substitute oils for that industry and release the edible oils for human consumption. The Committee's doubt that edible oil had gone into the manufacture of soap is also confirmed by the Evaluation Committee on Village Industries. They hope that Government would look into the matter and ensure that the primary object of developing the industry, is fulfilled.
- 40 109 The Committee are not able to appreciate how when not more than 24 out of the 467 units allotted for the cottage match industry are working the Commission

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has planned to set up another 200 units during the Third Plan. It looks as though the past experience has been no guide to the Commission. They hope that the Commission would review its programme periodically with reference to the actual performance and before allocating further units, would ensure that the units allocated earlier have actually been set up.

- 41 112-114 The Committee find that the composition of the Commission does not conform to accepted pattern. The relevant provision in the Act does not preclude any official from being appointed on the Commission. The Government has chosen to put on the Commission only non-officials, who in the opinion of Government have full faith in the ideals and principles laid down by Gandhiji, etc. In this connection, the Committee note that Government has recently decided that it would not only be advantageous but necessary to have one representative each from the Finance Ministry and the administrative Ministry on the Boards of each of the Government Companies/Corporations. The Committee are not sure whether an exception has to be made in the case of Khadi Commission. They recommend a re-examination of the position whether the Commission should be treated as an exception to this rule.
- 42 117 The Committee consider that there is some virtue in having the representatives of State Governments on the Board in view of the fact that the execution of the various Schemes of the Commission necessarily devolves on the State Boards set up by the State Governments. The Committee feel that the matter deserves necessary consideration in the light of the above remarks.
- 43 118 The Committee recommend that the desirability of giving representation to the specialised agencies like the Council of Scientific and Industrial Research, Indian Central Oilseeds Committee, Indian Central Cotton Committee etc. on the Khadi Board might also be considered since they are also engaged in one way or the other with activities cognate to the development of Khadi and Village Industries.
- 44 122-123 It would be seen that a non-official member of the Commission has been entrusted with the functions which should normally be performed by its Chief Executive Officer. The Committee do not appreciate the the reasons adduced for entrusting the

secretarial functions to a non-official Member of the Commission. They do not share the view that an official might not fall in line with the ideology of the Khadi movement merely on the ground that the status of the Chief Executive Officer does not permit him to participate in the deliberations of the Commission and formulation of its policies. He can only make suggestions for the consideration of the Commission and once a policy decision is taken he is expected to carry it out faithfully in accordance with the best traditions of the service. Since, however, the present arrangement is stated to be working satisfactorily the Committee do not want to comment on this point. The Committee consider that things ought to be institutionalised in the sense that the constitution of any public body should follow certain accepted patterns.

- 45 126 It was suggested to the Committee that the Commission should confine its activities to the provision of financial assistance, technical and economic research and major policy issues and leave the actual implementation of the programme to other agencies. The Committee agree with the above suggestion and recommend that the Commission may be re-organised suitably to serve the purposes now envisaged.
- 46 127 The Committee note that the strength of technical staff in the Central Office of the Commission works out to about 2% of the total staff strength. Since the Commission is charged with the task of preparing and organising programmes for the development of Khadi and Village Industries, it is essential that it should have adequate technical personnel to man the various spheres of its activities. This matter might also be looked into by the Committee appointed by the Commission.
- 47 128—130 The Commission is assisted by its Zonal Directors in each State in the implementation of its schemes. The Committee are not convinced of the need for these Zonal Offices. They fully endorse the views of the Khadi Evaluation Committee about the over-staffing in the Zonal Offices in relation to the quality of work rendered by them. If the suggestion made by the Committee in para 132 of the Report were implemented that would lead to the establishment of the desired link between the Commission and the State Boards and thus obviate the need for having these Zonal Offices. Further, the suggestion made by the Committee for the disbursement of funds to all institutions through the State Boards would enable the Commission to transfer most of the functions of the Zonal Offices to the State Boards.

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48	132	The Committee suggest that the desirability of preparing a Model Act on the analogy of the State Financial Corporations Act, 1951 providing for a uniform set-up for the State Boards as also an organisational link between the Commission and the State Boards might be considered by Government.
49	135	The Committee feel that the location of offices of an organisation charged with the task of developing industries throughout the country should be decided after careful consideration of their need and on well-established criteria. They hope that the matter would be reexamined from this angle.
50	137	The Chairman admitted that the Information Bureau at Delhi had not served the purpose for which it was intended. In the circumstances, the need for its continuance requires to be examined.
51	138-139	The following suggestions were discussed in the course of examination by the Committee:— (i) A few members of the Commission might be changed after a specified period so that there could be a periodical infusion of fresh blood in it; (ii) A quorum for the meetings of the Khadi and Village Industries Board might be prescribed; (iii) An upper-limit for the membership of the Khadi Board might be laid down; (iv) Some Members of Parliament who are actively associated with the development of Khadi & Village Industries may be nominated on the Khadi Board; and (v) Section 4(d) of the Khadi and Village Industries Commission Rules requiring the Members of the Commission to disclose financial interest in any subsisting contract with or in any work being done for the Commission, might also be made applicable to the Members of the Khadi Board.
The Committee trust that it should be possible to implement the above suggestions.		
52	141—143	It will be seen that the courses run by the Commission and the State Boards etc. are more or less similar. The Committee note that in each year from 1957-58 to 1960-61 the capacity of the training institutions run by the Commission and those run by the State Boards etc. has not been fully utilised. The training institutions of the State Boards/Registered Institutions

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would have been sufficient for training all the persons including those trained at the institutions run by the Commission. Both the Evaluation Committees (*viz.* the Khadi and Village Industries) have commented on the training programme of the Commission. According to them, its training programme was not related to the requirements of trained persons. Further training facilities had been under-utilised, resulting in wastage of funds. The Committee hope that with the implementation of the recommendations made by the Evaluation Committees, the position would improve. They would suggest that this work except specialised and higher training should be entrusted to the State Boards.

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It has been stated that among other things progress in the setting up of khadi cooperatives mainly depends on the agreement by the registered institutions to 'co-operatives' their decentralised units. It would thus appear that only existing units are being decentralised and registered as cooperatives. The real progress in this matter can only be judged by the number of new cooperatives organised and actually working. The Committee suggest that a review of the working of the cooperatives may be undertaken with this end in view. It would also be desirable if the number of cooperatives organised and those actually operating is indicated in the annual reports of the Commission.

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The back-log of employment at the end of the Second Plan is estimated to be 9 million and the under-employment is believed to be of the order of 15—18 million. Against this, the activities of the Khadi Commission are stated to have provided employment to 1·53 lakh (full-time) and 22·49 lakh (part-time). The Committee, however, feel that the present earnings of the workers engaged in khadi and village industries are low when compared with other occupations. They hope that a purposeful orientation of the programme of work and introduction of improved equipment, technique and methods of production would, besides enlarging employment opportunities, result in proportionate increase in wages so as to attract surplus agricultural labour to take to these avocations.

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55	156	The Committee understand that Government have not so far laid down any form for the presentation of the annual reports of the Commission. The budget of the Commission as required under Section 24(2) of the Act is also not published in its reports. The Committee have suggested at appropriate places what additional information should be given in its annual reports so as to make them more informative and useful. Among other items, the Reports should clearly indicate the physical and the financial programme, achievements in relation to the programme and the prescribed objectives and functions of the Commission. The Committee trust that Government would prescribe the form of Reports as early as possible, taking into consideration the various suggestions made by them.
56	157	No time-limit has been fixed for the presentation of the Annual Reports and Accounts of the Commission to Parliament. The Annual Report for the year 1959-60 was laid on the Table of the Lok Sabha on 16th March, 1961 and the Report for 1960-61 has not been presented as yet. Thus there has been a time-lag of more than 11 months in presenting the annual reports. That annual reports of all Public Undertakings should be presented to Parliament before the presentation of general budget for the following year has been stressed in para 22 of the 73rd Report of the Committee (Second Lok Sabha). They hope that a start in this direction would be made from the next year.
57	158	The Committee feel that it would be advantageous to include the audited accounts in the annual reports so that a full picture of the working of the Commission is available at one place. They hope that a beginning would be made in this regard from the next year.
58	161-162	The two Evaluation Committees which went into the working of the Commission have also referred to the non-availability of basic statistics and stressed the need for strengthening the Economic Research Section of the Commission. The Committee, however, regret to note that the position has not improved as yet. For instance, the Commission was not in a position to indicate the number of Bhandars sanctioned or located in areas with a population of 10,000 and below. Details

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regarding functional classification of cooperatives were also not available with it. The necessity for complete statistical information needs no emphasis. It is vital for a continual appraisal of the implementation of the Commission's schemes in both financial and physical terms, as also for making necessary adjustments in both current and perspective plans. The Committee trust that the Commission would take suitable measures to improve the position in this regard.

APPENDIX IX

Analysis of Recommendations contained in the Report

I. CLASSIFICATION OF RECOMMENDATIONS

A. *Recommendations for improving the Organisation and Working*

1, 2, 3, 4, 5, 6, 7, 8, 9, 14, 22, 23, 24, 25, 30, 31, 32, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 48, 49, 51, 52, 55, 56, 57 and 58.

B. *Recommendations for effecting economy*

10, 11, 12, 13, 15, 28, 33, 34, 35, 47 & 50.

C. *Miscellaneous*

16, 17, 18, 19, 20, 21, 26, 27, 29, 36, 53 & 54.

II. ANALYSIS OF IMPORTANT RECOMMENDATIONS DIRECTED TOWARDS ECONOMY

Sl. No.	No. as per Summary of recommendations	Particulars
1	10	Reduction in the proportion of grants for non-recurring expenditure.
2	11	Reduction in management grant to cooperatives.
3	12	Suggestion that institutions, deputing trainees, should bear a portion of the training expenditure.
4	13	Review of the scale of financial assistance to Bhandars etc.
5	15	Review of the pattern of financial assistance regarding its scale and continuance.
6	28	Progressive reduction of rebates, subsidies, etc.
7	33	Integration of organisations for edible oil and non-edible oils & soap industries.
8	34	Integration of organisations for Gur & Khandsari and palm gur industries.
9	35	Entrusting development of oil industry to one organisation.
10	47	Transfer of functions of Zonal Offices to State Boards.
11	50	Examination of need for continuance of Information Bureau.

III. MONETARY VALUE OF ECONOMY.

It is not possible to calculate the monetary value of the economies which might be effected as a result of the implementation of the recommendations classified under B above.